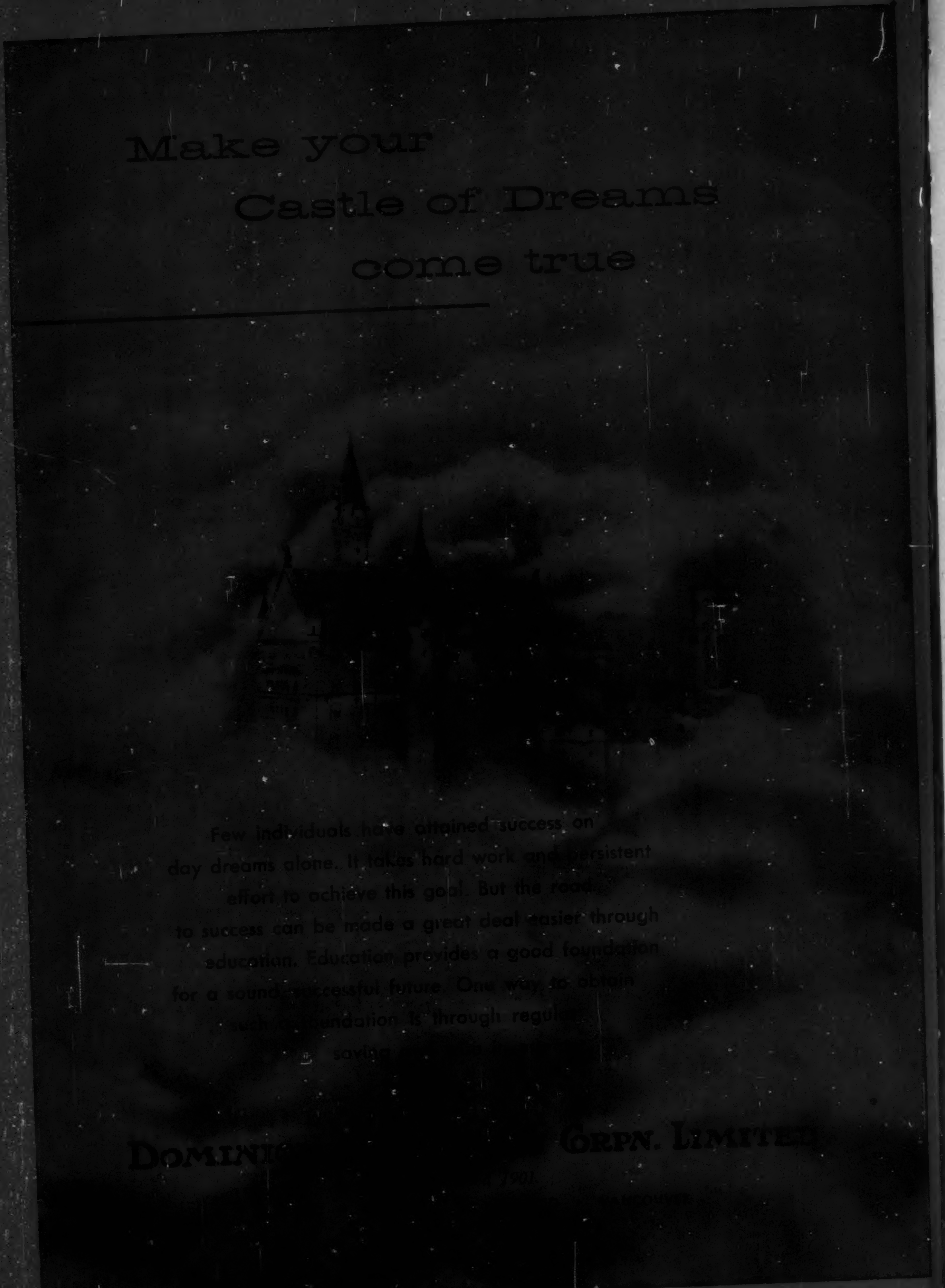
The Business Quarterly

SUMMER 1958 | VOLUME XXIII NUMBER 2

published by The School of Business Administration

UNIVERSITY OF WESTERN ONTARIO


Make your
Castle of Dreams
come true
Few individuals have attained success on
day dreams alone. It takes hard work and persistent
effort to achieve this goal. But the road
to success can be made a great deal easier through
education. Education provides a good foundation
for a sound successful future. One way to obtain
such a foundation is through regular
saving
1901

THE

BUSINESS QUARTERLY

VOLUME XXIII SUMMER
NUMBER 2 1958

Published by—
The School of Business Administration,
University of Western Ontario,
London, Canada.

The views and opinions herein expressed are those of the several authors and do not represent an official opinion of *The Business Quarterly* or the University of Western Ontario.

Manuscripts and correspondence concerning articles should be addressed to the Editor.

A consolidated index of subjects and authors was published for the first 20 volumes in Vol XX, No. 4. The contents are currently indexed by the Canadian Index, Ottawa, the Public Affairs Information Service, New York, and "Management's Documentation Review", Documation Inc., Woodbury, N.J.

Subscriptions — Single copy, $1.50; One year, $5.00; Three years, $9.50.

Advertising Rates — Furnished by the Business Manager upon request.

All correspondence concerning subscriptions and advertising should be addressed to:

The Business Quarterly,
School of Business Administration
University of Western Ontario,
London, Canada.

Printed by—
Hunter Printing London Limited,
226 King Street, London, Canada

Authorized as second class mail, Post Office Department, Ottawa, Canada

A Matter of Opinion

Businessmen continually criticize farmers for being short-sighted. Look, for example, at the pig cycle, they say. When pigs are few, feed prices low and pork prices high, all the farmers decide to expand output; up go feed prices and supply and down come prices, sometimes squeezing the farmers into a loss; so they cut back production and we are back where pigs are few, feed prices low and pork prices high; and this regularly repeated cycle begins again. A little planning and market investigation, says the businessman, and this wastage through rapid acceleration and then jamming on the brakes could be avoided.

REGULAR RECRUITING ABANDONED

But is the Canadian businessman really any better? Take, for example, his recent handling of his most valuable asset, his manpower. In the good years such as we have enjoyed since the war (hardly halted in Canada by the minor U.S. setbacks in 1948-49 and 1953-54), leading Canadian enterprises established schemes for the regular recruitment of future potential executives (often on such a scale that some suspected them of "stockpiling brains"), and for the training of their leaders in management theory and techniques at both company and university courses. Although we at this School of Business Administration can look back on 1958 as a successful placement year, each average graduate having been offered the choice of at least two to three jobs, it is none the less significant that the much vaunted regular recruitment schemes of some of Canada's leading companies crumbled under pressure of the very slight ill-wind of our present minor setback.

On our own campus, for example, despite a large number of new companies which came recruiting for the first time, the non-appearance this year of many well-established companies which had previously come each year and were formerly acknowledged as leaders in manpower planning, caused an overall fall of 15% in the number of companies recruiting.

This lack of continuity in big business' policy was apparently repeated South of the Border. According to the Journal of College Placement "College placement officers are disturbed by some of the implications arising from the 1958 recruiting season. . . . The real cause of this disturbance is based on the feeling that somehow the veering economic winds ought not to have such an extreme impact on the volume of college employment. In 1950 many companies admitted that they made a great mistake in eliminating or curtailing college recruiting that year. Yet seven years later some of these same companies account for a considerable part of the recruiting cancellations which colleges are experiencing this year. How then can placement officers escape the conclusion that long-range planning for managerial development is little more than a myth?"

TRAINING SCHEMES CUT

Equally disturbing to those who believe that business is the better for taking the longer view has been the reaction of some managements to staff training schemes. Some have been drastically cut back, sometimes discontinued altogether, often the very first casualties to economy drives. Surely this represents serious short-sightedness. If staff is not fully extended, what better time to improve the shining hour and build a more efficient team to meet the future boom? Business lulls are ideal times for serious thinking how to improve products, production and marketing, distribution and finance and serious thinking is best stimulated by coordinated and planned study.

In years of poor employment prospects, university enrolments rocket. This year we have record applications for enrolment in our two-year M.B.A. course. Circumstances make the student wiser, planning further ahead, than he may realize. Yet from business applications for our middle and senior management courses, although far above our available vacancies, are down. Never more true than today was Sir Wilfred Laurier's famous saying: "Canada needs three things. the first is markets; the second is markets; and the third is markets." Yet requests for enrolment in our special marketing management course were down over 30% this year compared with last.

Surely carefully devised recruiting and training plans should be continued more so in bad years than in good, by firms really planning and preparing for Canada's great future. Readers will remember how several big Canadian industries, notably the railways, suffered severely in the post-war era from shortages of managers, because they had failed to recruit in the thirties. Our most important asset is our manpower and sudden cutbacks in its selection and preparation for the important tasks ahead are disastrous short-sightedness.

F. W. P. JONES

About Our Authors

John R. Kohr, public relations officer of the National Research Council in Ottawa, has written before for the "Business Quarterly", notably "The Hows and Whys of Industrial Research in Canada" in the Winter 1954 issue when he described vividly how business could benefit from research. He graduated in law and did post--doctorate studies in philosophy at Innsbruck University, afterwards studying at the Sorbonne, Paris and Grenoble, France. During World War II he was winter and mountain warfare instructor in the U.S. Army and combat intelligence officer in the European theatre of operations.

W. David Hopper is Associate Professor of Agricultural Economics at the Ontario Agricultural College at Guelph. Born in Ottawa and educated at McGill and Cornell, he has worked in New York State and India on problems of land use and agricultural development. One of his assignments since joining the staff of the O.A.C. has been to follow the development of farm production contracts in Ontario.

Dr. Dwight R. Ladd, a former editor and contributor to the "Business Quarterly", graduated at Brown University, took his M.B.A. and D.B.A. at Harvard University, and was assistant professor of Business Administration there. He is currently Associate Professor of Business Administration at Western, specialising in the accounting and transportation fields.

Now a consultant at the Central Ontario Industrial Relations Institute in Toronto, **J. V. Cuff** is this year president of the Personnel Association of Toronto Inc., largest personnel organi--zation in Canada. Before appointment to his present position he was for some years industrial and public relations manager of Amalgamated Electric Corporated Limited. He attended the management training course at Western in 1955, and is a member of the Toronto Board of Trade and the American Institute of Electrical Engineers.

About Our Authors (cont.)

Jim Cunningham-Dunlop, the son of a mining man, was brought up in and around Noranda and Haileybury, and the mining country of the North. He graduated in business administration from Western in 1952, and was in the business field for five years. Then he decided to change his vocation, and returned to Western to take a diploma in journalism. He is now working on the "Northern Miner" in Toronto.

Arthur Guttman, whose home town is Montreal, graduated with B. Comm. from McGill in 1953 and took his M.B.A. at the School of Business Administration at Western in 1955. During vacations he became an assistant editor of "Canadian Builder", and after leaving Western went to Red Deer, Alberta to edit the "Advocate".

Andrew Grindlay, currently research associate at the School of Business Administration, U.W.O., has the experience of two years in the army and a year as a radio announcer in Saskatoon, as well as a B.Sc. from the University of Saskatchewan. For four years, as superintendent of some thirty branch lumber stores in Saskatchewan towns, his responsibilities included sales promotion, purchasing, credit approval, and advertising. In 1957 he gained his M.B.A. at Western's School of Business Administration, and will be teaching there in the Fall of 1958.

Paul M. Roddick, a previous contributor to the "Business Quarterly", (Immigration and the Canadian Employer, Spring 1956: Talking to Your Employees, Spring 1957), is now in the chairman's office of the Civil Service Commission. After graduating from Queen's University, he was made district superintendent of colonization and agriculture for the C.N.R. in Scotland. He joined the Department of Citizenship and Immigration in 1953, was later current affairs adviser for Ontario Region of the Department of National Defence, and was also with the staff training department of Ford of Canada.

Letters to the Editor

New Format

The Spring issue of the Quarterly has just reached me and I hasten to tell you that in its new format it is indeed a breath of spring. You and your associates have done a highly creditable job of modernization without sacrificing any of the traditions or flavour of the publication.

N. R. Crawford, Chairman,
Dow Chemical of Canada
Ltd., Toronto.

We like the new format!

G. C. Draper, Jr.,
Advertsiing Manager,
Peacock Bros., Montreal.

It looks quite attractive in its new front.

Ron McEachern, Editor,
Financial Post.

I very much like the new format of Business Quarterly. Congratulations on a splendid job.

Ross Munro, Editor,
The Province, Vancouver.

Congratulations on the new format of your magazine. I honestly think it looks much better than the older format.

John D. Harbron,
Business Week, Toronto.

I believe the new format is a great improvement and I personally find it easier to read.

Reginald H. Smith, Business
Administrator and Secretary-
Treasurer, Board of Education,
Sault Ste. Marie, Ont.

Lament on the Passing of the Smaller "Business Quarterly"

(To be sung to the tune—more or less,—of:
O where oh where has my *little* "B.Q." gone,
Oh where oh where can it be?
With its pictures curtailed and its editorial cut long,
Oh bring back the *old* style of your Quarterlee!)

The *new* "B.Q." may have a *higher* I.Q.
But at the expense of *lower* readabilitee.
It's *bigger,* true; (more revenue?!)
But *better,* too? It won't go through
Our mail slot convenientlee!

John R. Kohr,
National Research Council,
Ottawa.

Letters to the Editor (cont.)

Must Marketing Mean Monopoly?

I refer to an article published in the Winter 1957 issue by Miss Isabel Atkinson, entitled "Must Marketing Mean Monopoly?" It is not my intention at this time, at any rate, to comment on Miss Atkinson's article, but I wish you would publish this note correcting a statement that appears at the bottom of page 373, "While the report of this Commission did not recommend any changes." This would imply that the Commission had already reported. As Commissioner directing this inquiry, I would draw the attention of your readers to the fact that the Commission has not yet reported and has made no recommendations at this date.

E. D. MacPhee, Commissioner,
Royal Commission on the Tree-Fruit Industry of British Columbia, Penticton, B.C.

Managing Canadian Investment Funds

I would like to point out some of the advantages of investment in the closed-end investment trusts rather than in the open-end type. Because of leverage the common shares will rise higher and faster when times are good and fall more rapidly when times are hard. Closed-end trust shares are traded on the Stock Exchange every day. Any broker can quote you the going price of your shares. Nor will there be the heavy "loading" charge which obtains in the case of the open-end trusts, you will only pay the usual modest Stock Exchange commission. Further, the closed-end trust charges for management are considerably lower than those incurred in the open-end trusts, some of which, even very large ones, set down 15 or 20% as management expenses.

Closed-end trust shares almost always sell well below the break-up value of their shares. The discount offered the investor is often over 20%, which makes a pleasant cushion on which the investor may feel more comfortable. The mutual funds have no such discount but a heavy loading charge.

John Kenny Strahan,
Victoria, B.C.

(continued on page 128)

Ottawa Newsletter

PATRICK NICHOLSON

A paradoxical sympathy is being expressed for Prime Minister John Diefenbaker in thinking circles here.

This is not because he has won the most overwhelming parliamentary majority ever awarded by the Canadian voters, although it is recognized that only sincere humility could survive the support, and only tolerance and ingenuity could utilize the energies, of so many back-benchers.

The sympathy stems most impressively from non-Canadian sources. Ottawa is blessed with a multitude of experienced and impartial diplomatic observers, who in this not over-active post have time to sit back and ponder. Through them, Ottawa can see ourselves as others see us.

They see a country faced with bewildering problems, which call for energetic and sometimes unpopular action by a wise government. Some of these problems are too broad to lie within the control of a country as small as Canada; but their solution by international co-operation yet calls for moral leadership, which the great free nations are not now providing.

On the strictly domestic scene, the Canadian government is like a new tenant taking over an old house. It found a damaged fabric, which the previous tenants had tolerated despite gradual deterioration, but which grievously needed overdue repair.

Some of the cracks in the fabric were hidden behind a large and colourfully warm picture named "Prosperity", which depicted a world-wide post-war boom. The worst cracks were in the purchasing power of the dollar, the extent of foreign ownership of our resource industries, and our foreign trade balance.

During the so-called "Golden Decade" of the St. Laurent administration, the purchasing power of our dollar fell from 100 cents to 80 cents; U.S. control of our resources rose from 37% to 60%; and our comfortable trading surplus of $400,000,000 per year evaporated to become a trading deficit of more than double that figure.

The needed domestic action is seen here as centering around three points: inflation and the national wage-price structure; the negation of a Canada-first policy by certain foreign investors; and over-taxation.

The last point may be met by the northern development lying behind The Vision of Prime Minister Diefenbaker. A large increase in our gross national product, arising from resource development, would enable the government to raise its required revenue through taxation on a reduced scale.

Foreign control of Canadian companies is to the forefront in government thinking now. It has been highlighted by the rejected order for 1,000 cars for communist China, but it has long been understood and regretted that Canadian companies, wholly-owned by U.S. parent companies, are so completely integrated into their parents' global operations that they have no freedom to sell or even to buy in the most favourable markets.

The obverse of this coin is of course U.S. domination of Canadian labour unions, which likewise has recently been highlighted in an unfortunate fashion: by a rail union leader in Chicago criticizing a Canadian Royal Commission as being "inept and incompetent". A Canadian government could not curb U.S. management from infringing on Canada's national interests unless it likewise restricted U.S. labour from doing the same. It is hard to see how our new government can refrain from considering both, but just what steps it could take is regarded here as a more ticklish question.

Then there is inflation, and we have not yet been given a clue as to Mr. Diefenbaker's possible policy. Perhaps, for governmental guidance and to educate the public, the Prime Minister should appoint a Royal Commission to review wages, prices and costs and their inter-relation.

In general, it is felt here, the government has two possible means of battling inflation. Either it could hold the line with a firm ceiling on wages, farm prices, and other costs in our economy, as was done in the war. Or it could propose steps to reduce costs by rationalization of production—especially of weapons of war — throughout the Atlantic community. This was proposed a decade ago, in the form of economic co-operation between the North Atlantic allies, by which was intended—in the words of Hon. Lester Pearson — the creation of "an economic commonwealth of the Western World". This dream still waits on our horizon, now wearing the garb of Anglo-Canadian free trade, and the possible back-door entry into the European trading market. A small proportion of Canadian employers and perhaps 250,000 workers would need government aid in conversion when this took place, but 17,000,000 Canadian consumers would benefit by it.

These are the problems which Ottawa sees; vigorous action, along lines as yet only guessed at, will no doubt be taken before the next election is called, perhaps in October 1962.

Washington Newsletter

JAMES M. MINIFIE

THE Ways and Means Commitee has been working on the Trade Extension Act since the middle of February. It is not so much that it has taken the committee that long to decide what should be done as that the committee has been trying to determine what kind of bill it must write to pass the House.

President Eisenhower rates the bill as one of the most important of the session. He is asking for a five-year extension of power to reduce tariffs reciprocally. He is powerfully supported in the Senate by Democratic Senator Douglas who has made the case that five years' negotiating power is essential if the Administration is to be able to deal satisfactorily with the new tariff grouping of the European Trading Area. The likelihood is, however, that the extension will have to be cut to three or even two years if it is to pass. The current bill, which expires June 30, was a one-year extension.

Congressmen are bedevilled by elections in November and recession now. Their constitutents turn on the heat to save this industry, protect that mine, block off competing imports, or subsidize exports. This is the heart of the agitation for restrictions on imports of oil, for tariffs or quotas on lead and zinc, for "voluntary" limitations on Japanese textiles and stainless steel tableware, and a host of other items.

The Administration has tried to avert mandatory legislative controls by imposing "voluntary" limitations. Thus it hopes to secure the defeat of the Ikard amendment to the tariff extension bill which would impose legal restrictions on oil imports. What "voluntary" cuts have done to the big importers can be gathered from Tidewater's report that earnings are down from 87c a share in first quarter of 1957 to 1c a share in first quarter of 1958. The minerals plan seeks to head off another amendment which would make Tariff Commission recommendations mandatory—they are now permissive—and set up a stockpiling, dual-price support system for minerals.

This controversial plan was put forward by Fred A. Seaton, Secretary of the Interior. It would provide a subsidy for five years to domestic producers of copper, lead, zinc, tungsten, and fluorspar instead of higher tariffs or quotas on imports. It would cost an estimated $161 million the first year.

Producers would sell in the open market with reimbursement by the Government for sales below a "stabilization" price.

Such a bonanza has atttracted others, as it was bound to do. Senator McNamara, of Michigan, has come forward with a proposal to resuscitate Michigan's dying iron mines at the cost of the taxpayer.

The minerals program is curiously like the Brannan farm plan, which was so furiously opposed by the Republicans. It is already arousing opposition and it may have been put forward by the Administration only as a bargaining pawn. The President has until the third week in June to act on or ignore the Tariff Commission's recommendations on lead and zinc. His task is aided by the fact that the Commission split evenly. The Democrats wanted to go back to the Hawley-Smoot tariff. The Republicans wanted all that and quotas too. The Democrats furnished the most deadly analysis that has yet appeared of the evils which quotas would inflict on the industry. They showed conclusively that they would increase unemployment in the industry, raise prices to the consumer, cost the taxpayer money, do nothing for the poor mines, and benefit the rich ones. The major lead and zinc producers' annual reports showed that they were weathering the crisis nicely.

—*from the Imperial Oil collection*

"You may stop a man's mouth by crammin' a book down his throat, but you won't convince him."

Sam Slick's Wise Saws; Thomas Chandler Haliburton, 1853

IMPERIAL OIL LIMITED

Dynamic Documentation:

HOW T.I.S. RELIEVES INDUSTRIAL HEADACHES

Many a Manufacturer's Headache, Chronic Technical Trouble, Pain in the Production Bottleneck, and Other Assorted Industrial Ailments, Ills, and Chills, are often quickly relieved by T.I.S.

Not that T.I.S. is a Miracle Business Revitalizer; nor does it claim to be a Merchandising Stimulant with Built-in Executive Tranquilizer; but it may, in a modest way, produce similar effects!

T.I.S. stands for Technical Information Service.

JOHN R. KOHR

Founded in 1945 by the Canadian Government, this service has been kept busy ever since, scanning scientific reports, technical periodicals, trade journals, etc., in an attempt to find answers to a great number and variety of technical questions confronting Canada's secondary or processing industries; for, believe it or not, of the 38,107 industries in Canada reported by the Dominion Bureau of Statistics in 1956, the vast majority are not employers of technical personnel.

Naturally, there are several ways in which these companies might solve their technical problems; for one thing, they can burn the midnight oil, having their own people look through the misty maze of some 60 million pages of technical material printed each year; or they can ask a consultant to burn the midnight oil for them—at a price—to make literature searches that, in the United States alone, are said to cost annually some 300 to 750 million dollars; or they can avail themselves of the free service of T.I.S. whose early slogan was, in fact: "Why burn the midnight oil if somebody else has already done it for you?"

More and more companies go to T.I.S., so that by now the number of "logged", or formally recorded inquiries T.I.S. answers each year is well past the 7,000 mark. In addition, inquiries answered by personal contacts or over the phone now amount to several hundred a year at Ottawa alone. Total number of inquiries in 1957 amounted to 9534, of which 3427 were handled by Ottawa headquarters and 6107 by outside centres.

FEDERAL-PROVINCIAL COOPERATION

Outside centres? Let me explain. Just as more and more companies go to T.I.S., so T.I.S. goes to more and more companies: aside from the eight information officers stationed at headquarters in Ottawa, T.I.S. maintains field representatives with local offices in various industrial areas. In appreciation of the dynamic job done by this "sales force of service", Mr. F. G. Green, T.I.S. chief, says:

"The thousands of plant calls made by our field representatives have done a great deal to acquaint industry with the vast amount of information already available to them, provided some organization exists that knows where and how to obtain it and to interpret it in terms of their needs."

And here is Federal-Provincial collaboration at its best: while T.I.S. itself is part of the National Research Council of Canada, the field work in Alberta, British Columbia, Saskatchewan, Ontario and Nova Scotia is now handled by the Research Council of Alberta, the British Columbia Research Council, the Saskatchewan Research Council, the Ontario Research Foundation and the Nova Scotia Research Foundation respectively.

THE DAILY MAILBAG

And now, to find out what kind of questions are being fired at T.I.S. daily, all we have to do is to open a single day's mail: how to build a suction dredge; how to make silver-plated copper yarn; how to remove verdigris from a copper vat; how to prevent rust in a steam system; how to preserve the natural colour of botanical specimens embedded in plastic. . . Want to call it quits? But the very same batch of letters brings requests for information on: comparative costs of heating with various fuels; coding of food packages; seed separation; epidemics caused through faulty plumbing; an oxidizing agent for polyethelene; manufacture of sawdust concrete; hot press veneering; setting of knots in nylon fish nets. . . .

And now . . . if you haven't been caught in the mesh . . . lets see how T.I.S. goes about answering such questions, which range, literally, from soup to nuts . . . and bolts:

(i) A food manufacturer sought information on the preparation of a dehydrated soup. A specification was located and a copy sent to the inquirer.

(ii) The owner of a sawmill and box factory asked direction for making a hydraulic baling press for shavings. Three photostats concerned with hydraulic press design and construction were sent, as well as the names of firms which regularly make such presses.

(iii) A manufacturer asked concerning the latest methods and equipment for making oars. The Forest Products Laboratory supplied the information and listed firms making special wood lathes.

(iv) A bottler of carbonated beverages wanted to protect his concrete floors from deterioration due to attack of acids in the beverages. A copy of a booklet on the subject produced by Canada Cement Company was obtained and forwarded by NRC's Division of Building Research.

(v) A winery asked for description of methods of measuring the oxidation-reduction potential in wines. Reference to extensive European work in this field were found and photostats, obtained from French journals, were sent.

SOURCES OF INFORMATION

Unlike my random selection from the daily mail bag, these few examples were hand-picked by me because they indicate most of the sources of information from which T.I.S. draws its knowledge: the library of NRC, the Mines Branch, Forest Products Laboratories, Agriculture, etc.; Canadian and U.S. firms maintaining industrial research laboratories; research organizations of provincial governments and of other countries, as well as trade associations in Canada and United States; NRC Scientific Liaison offices in London, Washington, and Ottawa; and the Trade Commissioner Service of the Department of Trade and Commerce.

Backed by these vast and varied sources and resources, T.I.S. was soon able to streamline its "Question-and-Answer Service". For instance:

All questions on building problems now flow through a separate channel and should be addressed to the Inquiry Service of NRC's Division of Building Research.

A follow-up system was instituted whenever new information was found in the literature after an inquiry had already been answered.

As some inquiries tended to repeat themselves, T.I.S. Reports were prepared to serve as ready-made answers for future inquiries in these fields. At the moment, there are some sixty T.I.S. Reports available. Here is a handful of recent titles: Heat Economy in Textile Plants; Disposal of Plating Wastes; Natural Gas Utilization; Time and Motion Study in Mining; Survey of Continuous Fermentation Process.

Special minor subjects are treated in Information Notes, numbering about 70 to date; intended primarily for the smaller industries, these Notes deal with such topics as Printing Management, Luminous Paints, Artificial Furs, Bloom on Chocolates, and even Music in Industry.

Total number of copies sent out in 1957 alone, either from Ottawa or from the field offices, amounted to 4191; of these, 2424 were T.I.S. Reports and 1767 Information Notes. These two types of publications are mailed on request.

DOCUMENTARY CROSS-FERTILIZATION

Other material is continually being prepared and distributed to field officers for their own information and for passing on to industries concerned: exceptionally interesting inquiries and replies are summarized; single-sheet bulletins are issued, featuring news items culled from periodicals as well as digests from the European technical press.

Relations with other technical information centres in the Commonwealth and Western Europe have been extended by exchange of literature and even of individual inquiries. In one such instance,

information supplied from Europe enabled operators of a plant here to reduce their fuel needs by one-sixth. Fuel in this plant was a major cost.

An even more remarkable example of "documentary cross-fertilization" involved the Danish Technical Information Service, the European Productivity Agency, and T.I.S. At a total cost of $20 this particular inquiry bore fruit, as follows:

(i) A large order for a Canadian clothing manufacturer;

(ii) Establishment of a licensee in Denmark;

(iii) Acquisition of license by the Canadian company to manufacture specific articles of Danish clothing;

(iv) Avoiding duplication of research for which the Danish Government had already earmarked $14,000.

Everybody happy?

Any more questions? If technical, ask T.I.S. The answers are yours—for the asking!

"U.S. v. US?"

The dependence on our national prosperity on exports is about four times as great as that of the United States, with Canadian commodity sales abroad comprising 16 per cent of our gross national product, against 4 per cent for the U.S. On that basis one could expect Canadians to be even more outspoken than Americans on the subject of trade restrictions.

Our trade relations with the United States have become more sensitive in recent years for another reason. Canadians have become more conscious about their unfavourable balance of trade with the U.S., because the latter has been reaching record proportions. In 1957, for example, Canadians bought $4 billion or $1.1. billion more from the United States than Americans bought from them. Canada purchased 71 per cent of her total imports from the United States, whereas the United States made only 22 per cent of its total foreign purchases in Canada.

People in our country are asking now more urgently than ever before the question: If Canadians are buying so much more from the United States than your country from ours, why cannot the United States do something about it? In a nutshell—Canadians feel that the U.S. have a heavy responsibility to provide Canadians with an opportunity for as good a market in their country as Canadians are willing to provide Americans in Canada.

There have been instances where the United States instead of taking action to reduce the unfavourable balance of trade between the two countries faces Canada with threats of import restrictions as in the case of crude oil, lead, zinc and copper, or has pursued a surplus disposal program that seriously affected Canadian sales abroad, e.g., in wheat and related products.

When these things happen Canadians ask the question: Why does a good neighbour like the United States do these things to contribute to our difficulties? Is it because the United States economy is weak or non-competitive that it has to protect itself against a neighbour one-tenth of its size in terms of population? Surely not—considering that the United States is the most industrialized and efficient nation of the world.

Are there strategic considerations that make it desirable to protect American industry at the expense of Canadian industry? If our joint defence efforts of North America mean anything, surely nothing would be gained by weakening the industries of your closest ally, and much could be lost in case of an emergency. In view of the actual problems of defence as they exist today, Canadians find it difficult to understand any justification on strategic grounds of import restrictions against Canada.

The frequent tendency of many groups in the U.S. to regard Canada as a marginal supplier for many industrial materials is a source of irritation to Canadian producers, whose capacity has been developed to meet a continuing level of U.S. demand. But not only Canada is affected, for as the Free World becomes more and more interdependent the repercussions of U.S. restrictive measures spread farther afield. The recently-imposed U.S. quotas on crude oil imports have imposed serious upper limits on the logical markets in the Midwest and Northwest U.S. for Canadian western crude oil. . . . Similarly, new restrictions which might be placed on foreign sales of non-ferrous minerals in the U.S. are likely to have widespread repercussions through reduced earnings of American dollars. . . .

Canadians have taken strong objection to the policies adopted by the U.S. in disposing of surplus farm products. This program has resulted in a direct loss of part of Canada's world market for wheat. The main criticism of this program has been the extent to which the disposal of wheat on concessional terms has disrupted or destroyed normal commercial markets for wheat. . .

Our anxiety is not diminished by the fact that an increased inflow of American capital has been making up for our recent trade deficit with the U.S. . . .

The eyes of all the trading nations of the world are on the U.S. Congress, waiting to see what authority the U.S. Administration will be given to continue to give leadership to the free world in the field of international trade, just as the U.S. is doing in the fields of international politics, defence and aid.

—*Hon. Gordon Churchill, Canadian Minister of Trade and Commerce, "Journal of Commerce", May 22, 1958.*

Are Production Contracts ENSLAVING CANADIAN AGRICULTURE?

Agriculture, long the ugly duckling of the business revolution, is rapidly undergoing a metamorphosis which promises to transform it into a big business. The transformation is generated by the combined effects of a multitude of forces ranging from the development of modern retail practices to the discoveries of geneticists and chemists working in laboratories far removed from the barnyard. Few facets of present agriculture reflect this transformation more than the recent extension to the farm of the old business technique of contracting for production.

W. DAVID HOPPER

Contract production of food, while not an entirely new phenomenon, is the currently fashionable topic among farm leaders and those concerned with the welfare of agriculture. Some see the farmer involved in contractual arrangements as a "sharecropper"—a loathsome term among rural people—who is subject to outside control and decisions and who, therefore, has lost both the dignity and freedom which are the farmers' proudest possessions.

Others, as closely concerned over the welfare of agriculture, view the use of contracts as a major answer to the income fluctuations and inadequate credit facilities which seem to be ever-present agricultural problems.

Contracting for production is not a technique new either to business or to agriculture. Spinning and weaving were first organized in this way. Beef feeding contracts were common fifty years ago. Under these contracts a farmer would care for a herd of animals which belonged to someone else for an agreed return usually dependent on the amount of weight the animal put on during the time it was with the feeder. These arrangements weer generally made between two farmers, one of whom was short of land or fodder for the number of cattle he wished to prepare for market.

More recently canning factories found that the only way they could control the quality and be assured of adequate supplies of produce for their operation was to contract in advance with the farmer for his output. The contracts specify the planting times, variety of crop, acreage, and price. The factory is responsible for controlling the harvest of the crop to assure a minimum deterioration in quality between the field and the can. Similarly sugar beet production has been carried on almost exclusively under a system of contracts for almost two decades.

CONCERNING CONTRACTS

Why then are people concerned about recent developments in farm contracts?

Concern seems to spring from two major considerations. It arises, first, because contracts are now being extended to several new areas of agriculture—particularly to the production of animal products—in a way which threatens to alter drastically the established patterns of producing and marketing farm commodities. Canning crop and sugar beet contracts affect only a few farmers in specialized locations. The present developments in contracts, if extended to their logical limits, will embrace most of the nation's livestock producers.

The second source of concern appears to be the fact that the contracting agencies are the same power groups the farmer has been struggling against for decades — the packing houses and feed companies.[1]

[1] See McInnis, C.W., "The Case for Producer Marketing Boards," *The Business Quarterly*, Spring 1958, Vol. XXIII, No. 1; and von Pilis, F., "Canadian Farmers Must Cooperate To Survive," *The Business Quarterly*, Spring 1957, Vol. XXII, No. 1.

Many farmers, and others, fear that through the use of contracts these concerns will gain control of the production capacity of agriculture and leave the farmer a "piece-wage worker" subject to "downtown management" and the "lay-of" if their production is no longer necessary. Many persons see contracts as a threat to the newly acquired power of producer marketing groups which would once again leave farmers in a vulnerable bargaining position. Some have gone so far as to declare that contracts are the result of "big business" efforts to regain the supremacy they have lost o farmer marketing boards.

In answer to these concerns, the proponents of contracts in agriculture argue that the farm problems of today can largely be traced to the organization of the farm economy, or rather, to the lack of it. They point out that as long as each farmer makes his production decisions with little or no reference to the decisions of his neighbour, or to an evaluation of the market for his product, agricultural prices will continue to be highly unstable and farm incomes subject to wide fluctuations. These persons feel there is a need to bring some order to the atomistic industry which produces the nation's food so that production decisions are made with a knowledge and understanding of what other producers are doing and with an appreciation of the size and demands of the market. They see contract farming as one method of filling this need.

FARM CONTRACTS AND THE BROILER INDUSTRY

An outstanding example of the effects which can be expected from a contract system of agricultural production is found in the broiler industry. Roughly fifteen years ago the chicken broiler industry was started in the State of Georgia under a system of contracts which linked the commercial hatchery with the grower (farmer), the feed dealer and the processing plant where the finished birds were killed, eviscerated and packed. Under the contract arrangements which evolved, the hatchery operator was assured of a market for his day-old chicks; the grower, who raised the day-old chicks to market weight, was given a guaranteed price and outlet for the birds he produced; the feed dealer had a known demand for his prepared feeds; and the processor, by being able to schedule deliveries of finished birds, was assured of stable supply to match his plant capacity. In most cases the processor or the feed company acted as the pivot around which the interlocking contracts were organized, but not infrequently a hatchery -or even a farmer would be the focal link in the contract arrangements. Under most contracts the farmer supplied only the labour, building and equipment necessary to the raising of the birds. For his labour and fixed assets he received a guaranteed price adjusted by quality penalties or incentives. The losses on the operation were borne by the hatchery, feed company or processor either singly or in combination. Thus the farmer was protected against the risk of sudden price drops, and since all he needed was a hen house and a little equipment, his demands for credit were small.

In recent years there has been a rapid extension of the Georgia contract system to practically every other area of broiler production in the United States. It is now estimated that eighty-five to ninety per cent of all broilers produced in the U. S. are produced under contract.

Accompanying the expansion of contract production, or vertical integration as it is most often called, has been a significant change in both production and marketing methods. New developments in poultry science are rapidly absorbed by the industry and incorporated in the production program. Such developments have enabled growers to expand their size of operation from a few thousand birds to upwards of 60,000 birds per crop. This expansion has generated a competitive pressure which has virtually driven the small broiler raiser from the scene, while at the same time converting the remaining growers into specialized operators producing a highly standardized product on an assembly line basis.

On the marketing side the effects of contract production appear equally significant and far reaching. Probably the most important is the link which was established between the consumer and the producer. The development of mass retailing methods has placed the chain store buyer in a position to exercise a considerable influence over the specifications of the product he will accept and offer to the consumer. Because contracts tie the grower, hatchery, feed dealer and processor together, the product specifications of thousands of housewives are transmitted through the store buyer to the production specialists. As evidence that these specialists have responded is the fact that broiler consumption is increasing in the U. S. and Canada at an annual rate of about ten per cent.

In addition to the rapid reflection in production of consumer preferences that is possible through contract arrangements, vertical integration has reduced the number of middlemen in the marketing chain. When a farmer knows in advance who is going to purchase his output, there is little use of a commission agent or drover. Similarly the processing plant can often deal directly with store buyers and as both are concerned with a large volume of produce, transaction charges are reduced to a minimum.

So far the discussion of the broiler industry has recounted American experience. Canadian experience with contracts, although more recent, is essentially the same. Broiler production in Ontario has increased roughly fivefold during the past five or six years. At the same time the number of farmers producing chicken broilers has declined significantly although precise figures are difficult to obtain. In 1947 a broiler farm which raised 5,000 birds was considered a large farm. Today 15,000 birds is thought of as a small operation, while a large grower can handle up to 50,000 birds without extra labour. Like the States, about ninety per cent of Ontario's broiler output is grown under some form of contractual arrangement linking the hatchery with the farmer, feed company and processor. Under most Ontario contracts, however, the broiler grower is responsible for paying for the chicks and feed which he receives on credit from the contractor when the birds are marketed. He is protected against price risk by a guaranteed floor price which is standard in most contracts and is negotiated each year by the growers and the industry.

From the experience with vertical integration in the broiler industry, both in Ontario and the U.S., several pressures generating the movement toward contract farming can be identified; chief among these are:

1. An effort on the part of processors to assure themselves of a stable and adequate supply of high quality poultry meat.
2. An acceptance on the part of farmers of contracts which assist them with production credit and reduce risk.
3. An effort on the part of farmers to expand their businesses with an assured market for their output.
4. An effort on the part of feed companies and hatcheries to expand sales and have an assured market which can be predicted in advance.
5. An effort on the part of processors to expand their market by providing a product which meets consumer specifications.
6. An effort on the part of all firms to reduce marketing and transaction costs.
7. An effort by all firms to coordinate their activities and increase stability of price and production.
8. An effort on the part of processors to obtain a larger share of the market and increase their bargaining power as an offset to the increased power held by the buyer for large retail outlets such as the chain store.

OTHER AREAS OF CONTRACT PRODUCTION

Some form of vertical integration through the use of contracts has now been tried for beef, swine, eggs and turkeys, with varying success. Except for broilers and turkeys, most of the contract arrangements in the other areas of production may be classed as experimental. Several patterns for organizing the production process under contracts are being tried by both farmers and businessmen in an effort to adapt the principles of vertical integration to the unique features of each industry. To date, however, these experiments have not resulted in any widespread use of contracts for other than poultry. It is estimated that less than ten per cent of Ontario's hogs are produced on contract, and a still smaller percentage for the other commodities.

The broiler industry and, to a lesser extent, the turkey industry has been integrated for some time. The history of this integration shows a gradual evolution in the type of contracts used as the parties involved moved toward a pattern of organization which enabled each industry to obtain the full benefits of a unified operation.

The case of broilers and turkeys, however, is somewhat different from that of the other livestock products including eggs. Specialized fowl for broiling is a relatively new addition to the output of agriculture, and it has been necessary to develop a new market for these products. Because such fowl were new additions to agricultural output, there was no established pattern of production or marketing, and the persons who adapted the technique of contract production to the developing broiler industry had few institutional barriers to overcome.

An extension of integration to hogs, beef, or egg production will not be accomplished as easily. To a great many farmers broilers were a secondary enterprise and only those who were willing to become specialized producers remained with the industry, the others merely gave up competing and diverted their resources to other lines of production. Hogs and beef, on the other hand. are often the major enterprise on a farm, and many producers feel they have a vested interest in maintaining the established industry. These persons view efforts to introduce a pattern of contract farming which will drastically alter the present framework of production and marketing, with considerable alarm.

INCREASES IN THE SIZE OF FARM BUSINESS

Probably the most attractive aspects of a contract to an individual farmer are the provisions for production credit, guaranteed market, and reduced price risk. These features are particularly attractive

to the young farmer who is usually burdened with a large mortgage and has a low credit rating at the local bank. Contracts enable him to embark on an expansion program which not only assures a larger volume of output, but also allows him to use his limited capital for increasing his fixed assets. Frequently contracting firms assist the farmer in expansion programs by providing technical help and, occasionally, financial backing.

There is excellent reason for assisting farmers who wish to expand their production capacity. Nearly all contracts have provisions for the supervision, by the contracting firm, of the management practices followed by the farmer. To minimize the cost of supervision, which can be very high for a number of small farmers scattered over a large area, contracting firms are mainly interested in signing a large producer of proven ability (and to net such a farmer there is often a willingness to make important changes in the contract), or a small producer who possesses the technical know-how and, except for the lack of capital, is eager to expand his capacity. A few contracts with large volume producers who are capable of attaining high quality production are much superior to many arrangements with small farmers who lack the technical ability to handle a large volume of output, or are unwilling to increase their size of operation.

Few farmers can be complacent about the assistance and encouragement contracting firms give to others. Most farmers are aware of the heightened competition within agriculture that has driven many thousands to leave the rural area of Canada during the past few years. In Ontario alone more than nine thousand farm families left agriculture between 1951 and 1956. It is said that farmers are the only businessmen who hate to see their competition leave. Actually few persons in the rural areas regard their neighbours as competitors; indeed neighbours are synonymous with an active church, a good school section and a healthy community. The fear that as some farms increase in size more and more farmers will be forced out of agriculture is a disquieting thought.

Yet the trend toward "bigness" is not a phenomenon induced by the contract movement although it will undoubtedly be accentuated by this movement. The author visited a farm not too long ago where three men were caring for one hundred sows and raising the offspring to market weight hogs. This farm, and others like it were built without the aid of contracts. It would only take 4,000 such farms to produce the 6¼ million hogs grown annually in Canada. In contrast with this is the fact that the Ontario Hog Producers' Association claim a provincial membership of over 55,000 hog raisers. The farm mentioned relies completely on purchased feeds and while there are some cash crops grown on the land, these enterprises are entirely independent of the swine operation.

SCIENCE AND PRODUCTION

Improved strains and cross-breed livestock from the work of the geneticist, better feeds from the nutritionist, improved methods of disease control developed by the bacteriologist and veterinarian, and all manner of exotic hormones and enzymes from the biochemist, have provided the farmer with a level of control over his operations which was only a dream a decade ago. Indeed at that time a chicken broiler which attained 3½ pounds weight in 14 weeks with 3½ pounds of feed for each pound of flesh was considered an excellent production record. Today a broiler should reach 3½ pounds in ten weeks with 2¼ pounds of feed for each pound of flesh, and the scientists are talking about birds which are ready for market in 8 weeks, consuming less than two pounds of feed for each pound of gain. Similar improvements in production efficiency have occurred for swine, cattle, turkeys, laying hens, and the other products of agriculture.

Improvements in farm equipment for the care and feeding of livestock have enabled the farmer greatly to expand his operation and still rely on his own and family labour. One prominent Ontario hog raiser estimates that with today's automatic feeding equipment, watering devices and housing arrangements, one man can care for 2,000 hogs—more than ten times the number the same labour could economically handle before the war. In Arizona beef feed lots (concentrated feeding areas where the feed is brought to the animals) are fattening up to 50,000 head of cattle at one time, dairy "factories" in California and Florida are handling two to three thousand milking cows on feed lot where the milking parlours are used twenty-four hours a day. While these last establishments are definitely not one-man operations, they are hardly out of the "small business" class in terms of the labour force, although capital requirements may run to several million dollars.

Few developments have done more to make large scale operation possible than the new wonder drugs, vaccines, and improved methods of disease prevention. A large concentration of animals in a confined area provides ideal conditions for the outbreak of epidemics which can, and often do wipe out an entire crop in a few days. Without the advances

in disease control, and the rigid application of these control techniques, large scale operation would be virtually impossible.

As new discoveries of fundamental science are applied to the production problems in agriculture, and as more farmers adjust their operations to take advantage of these developments, their ability to control quality and schedule output will increase. Such ability is the basic requirement for vertical integration and without the developments of science, both past and future, contract farming could be little more than a fancy version of the old *ad hoc* system of separate decision makers at each stage of production hoping the decisions of the others will not be too far out of line with his own.

SCIENCE AND MARKETING

The scientific underpinning of vertical integration is not confined exclusively to the field of production. Marketing techniques have also felt the impact of the applied scientist and in many cases contract operations are the only way of gaining the full advantages of these new developments.

An example of such a development is the electronic egg grader. Essentially a device for picking out eggs with blood spots or other foreign matter, the grader is much faster and far more accurate than the most skilled human candler. But to use the grader the eggs must be of a known freshness, from a carefully managed flock of known breeding history which is fed on a meticulously balanced ration. Only through some form of contract involving close supervision of the farmer can a grading station be assured of such high quality eggs.

Push-button packing plants, new storage and transportation techniques, and improved packaging methods have all contributed to the forces for a closer integration of the various stages of production between the raw inputs and the final product.

CONCLUSIONS

Contract farming is not new to agriculture but it presently is receiving a lot of attention because it involves a new type of business arrangement between farm and non-farm firms which threatens to upset the established pattern of producing and marketing animal products.

The development of agricultural science and the characteristics of present day methods of production and processing favour the extension of vertical integration to agriculture.

Integration is presently most important in the poultry meat industry, but experiments in coordinating the production and processing of other animal products through contractual arrangements presages the future inclusion of these industries in integrated programs.

Existing trends in agriculture toward a smaller number of large farm units which are highly specialized will likely be accentuated by the development of contract farming.

The disadvantages of vertical integration in agriculture are mainly found in the social and economic effects on the farmer—a restriction in independence of choice of market outlet and sources of supplies, the supervision of management practices, the placement of the farmer on some form of wage system, and a possible long-run restriction on the farmer's ability to market his crop if he decides to produce outside the contract system.

The advantages for the farmer are almost entirely economic—a reduction in price risk, provisions for production credit, help with the production problems by competent supervisors, help with the expansion of production capacity, and an increase in price and income stability.

The advantages for the non-farm firms are also many—greater stability in operations, opportunities for production scheduling, greater control over quantity and quality, and increased opportunities for expanding sales and gaining a larger share of the market.

The disadvantages for non-farm firms are also many—costly supervision of the farmer is frequently necessary, added overhead to the accounting department as the farmers' books are also maintained by the firm, increased risk as some of those formerly assumed by the farmer are absorbed by the firm, and increased demands for credit requiring extra working capital.

FINAL NOTE

To a real extent the author shares some of the disquiet of the farmer when he views the concentration of power which contracts place in the hands of the processors or feed companies. There are three ways of establishing safeguards against the misuse of this power.

One way is through the creation of farmer bargaining groups which are empowered to negotiate with the contracting firms the main provisions of the production contract. This has been done successfully in the case of broilers and canning crops and seems to hold promise for other fields.

A second way is for farmers, through a cooperative or some other business organization, to take over the role of the contractor and contract with the feed companies and processors for their services. This approach has been used successfully by the Ontario Turkey Growers Limited, and would probably work in other areas of specialized production.

The third method of guarding against an abuse of power is to assure a strong and continued competition between firms which have contracts available for farmers to sign. Such competition, and alert farmers who examine several contracts before signing is necessary to the continued health of the agricultural industry under a program of integrated production.

APPENDIX

Below are three sample contracts. The first one is a broiler contract which was used in Ontario last year. The second is a hog contract under which the feed dealer agrees to provide both weaners and feed and pay the farmer (feeder) a fixed return. The third one is a sample of the type of hog contract now popular in Ontario as a result of the Federal Government's new floor price of twenty-five cents per pound for pork. (With this floor the Government eliminates the price risk problem.) There are many other contracts available in the province which differ in one or more respects from those presented, but these three are considered good examples of their type.

CONTRACT FOR PRODUCING BROILERS

1. The Contractor agrees to supply to the Grower .... lots of Broiler chicks, each lot to consist of approximately .... chicks; the first lot to be delivered on or about ....19.......... Said chicks to be charged to the Grower's Contract at .... cents each.

2. The Grower agrees to grow and care for said broiler chicks in a house or houses suitable to the Contractor, and also agrees to provide all labour (including loading labour), equipment and water, and pay for all litter and heat necessary for the proper growing and caring for said broilers. Grower will permit the Contractor's authorized representatives to inspect said broilers and said houses at any time.

3. The Contractor agrees to furnish the Grower with the necessary feed and medication for the proper feeding of said broilers, said feed and medication to be charged to the Grower's contract account on the basis of the manufacturers (delivered) Wholesale List Price, plus .... per ton.

4. The Contractor agrees to insure all broilers under contract against fire.

5. It is agreed between the parties hereto that all chickens supplied by the Contractor to the Grower pursuant to the terms of this contract shall remain the property of the Contractor at all times during the term of this contract.

6. The Contractor agrees to market all live broilers grown by the Grower on the contract between the age of nine weeks and twelve weeks. The Grower agrees that the definite time of marketing shall be determined by the Contractor, subject to the above preceding clause.

7. *Basis of Payment to Grower*

(a) The Contractor agrees to pay a floor price of 21c per pound live weight at processing plant for each normal and healthy live bird marketed. The Contractor further agrees that when the market price is higher than 21c per pound, the Grower will be paid on the basis of current market price.

(b) Both parties agree that said market price shall be the Current market price as quoted by the Contractor in the Ontario Broiler Grower's Report on the week the broilers are marketed. The Grower further agrees that all weights shall be calculated on live weight at the processing plant where the broilers are processed.

(c) Both parties hereto agree that the Contractor shall administer the Contract Grower's Account as follows:—After each lot of broilers is marketed a complete detailed statement will be prepared showing the total cost to the Grower, of chicks and feed used. Said total cost will then be deducted from the value of the live broilers marketed and a cheque issued to the Grower for the balance.

The Grower agrees that all broilers grown on this contract must be of a grade and quality satisfactory to the Contractor and that quality standards shall be determined by the Contractor.

(e) The Grower further agrees—in the event that the cost of chicks and feed used to produce any one crop of broilers exceeds an amount equal to the market value of said broilers at the floor price of 21c per pound, that the Contractor has the right to discontinue the contract experience if so desired.

The Contractor agrees to allow the Grower a refund on feed on the following basis:

When live mkt. price is over 24c per lb.	No refund
When live mkt. price is over 23c per lb.	$1.00 per ton refund
When live mkt. price is over 22c per lb.	$2.00 per ton refund
When live mkt. price is over 21c per lb.	$3.00 per ton refund

CONTRACT FOR PRODUCING HOGS FOR A FIXED RETURN PLUS A SHARE OF THE PROFIT

1. The Company shall deliver .... weaners to the Feeder's premises and shall supply the feed necessary for the said hogs until they are ready for sale.

2. The Company shall inspect the said hogs from time to time and shall supervise their management.

3. The Company shall insure the said hogs to their full insurable value against loss by fire.

4. The Feeder shall provide adequate housing and equipment for the handling and raising of the said hogs and shall provide all the labour and services for the care and raising of the said hogs.

5. The Feeder shall follow the management and sanitation program as recommended by the Company or its representatives.

6. The ownership and title to the hogs shall be vested in the Company at all times and the hogs shall be sold in the name of the Company and by the Company. The Feeder agrees that the Company shall have the privilege of erecting any signs on the said premises to indicate such ownership.

7. Within a reasonable time after the sale of the said hogs the Company shall pay the Feeder $2.50 per hog sold. The Company shall further pay the Feeder one half of all profit made, and the said profit shall be computed by deducting the following costs from the selling price: the original cost of the weaners (or a price agreed on by the parties hereto at the time of delivery), feed at retail prices, veterinary and sanitation supplies, transportation and marketing expenses, the aforementioned payment of $2.50 per hog to the Feeder and other reasonable expenses of the Company.

8. The Company shall have the right at any time and from time to time to remove all or any part of the said hogs and feed supplied or delivered by it to the Feeder, if the Feeder shall fail to care for, feed, house, maintain the said hogs in a manner satisfactory to the Company, or if the Feeder shall fail to carry out any of the terms of this Agreement likewise, if the Feeder shall make any assignment for the benefit of creditors or take the benefit of any act that may be in force for bankrupt or insolvent debtors, or if any of his goods, chattels or property real or personal shall be seized or taken into execution or in attachment by any of his creditors, the Company may at its option remove all or any part of the said hogs and feed and sell or otherwise dispose of the same, as it, in its absolute and uncontrolled discretion, may determine and in such event the right of the Feeder to any remuneration in connection with the said hogs shall be at an end.

9. The Feeder hereby grants to the Company the right to enter upon the premises upon which the said hogs and/or feed is located at any time or times for the purpose of inspecting the said hogs or removing the same as aforesaid and for all such purposes as the Company may deem to be reasonable or advisable.

10. The Feeder covenants and agrees that he will not permit any weaners or hogs upon the premises aforesaid, or those upon which the hogs and feed supplied by the Company are located, without the express permission in writing of the Company under its Corporate Seal: The Feeder further covenants and agrees that the feed supplied by the Company shall be stored separately in bins or other accommodation approved by the Company and that the said hogs shall be accommodated in pens, buildings, or other accommodation approved by the Company.

11. The Feeder covenants and agrees that if the Company shall suffer any damages as a result of the Feeder failing to carry out all the terms and provisions of this Agreement as herein provided, that he will forthwith upon demand compensate the said Company for all of the said damages suffered or incurred by it, including the cost of the said feed, weaners and any other services or facilities furnished or supplied by the Company in connection with the same and loss of profit.

12. This Agreement shall apply not only to the hogs aforementioned but shall apply to all subsequent consignments of hogs until .... unless otherwise agreed.

13. That it is agreed between the Parties hereto that this Agreement and every thing herein contained shall ensure to the benefit of and be binding upon the Parties hereto, their respective heirs, executors, administrators, successors and assigns.

CONTRACT FOR PRODUCING HOGS WITH THE DEALER PROVIDING ONLY PRODUCTION CREDIT

1. The Feed Dealer agrees to purchase hogs at the prevailing current market prices and the Feeder transport said .... hogs to the lands of the Feeder being known as Lot .... in the Concession .... of the Township of .... in the County of .... on or before the .... day of .... 19 ....

2. The Feeder agrees to accept the said .... hogs on or before the aforementioned delivery date for the purpose of accommodating, caring for and feeding the said hogs, and the Feeder further agrees not to remove said hogs from his said lands except with consent of the Feed Dealer.

3. The Feeder agrees to use reasonable skill, diligence and precaution in accommodating, caring for the feeding of the said hogs at his own expense until such time as said hogs are fattened and meet necessary marketing standards. At such time as the parties hereto mutually agree that the said hogs are properly fattened and meet necessary marketing standards, the Feeder agrees to transport, or to pay for transportation of said hogs to market and to sell said hogs at current market prices.

4. Upon the purchase and delivery of said hogs by the Feed Dealer to the Feeder, the Feed Dealer shall set up a special account in the name of the Feeder and shall charge and debit said account for the cost price of the said hogs, and in addition thereto charge and debit the said special account with the sum of $.......................... for every hog so delivered to the Feeder.

5. The Feed Dealer shall supply the Feeder with all necessary commercial feeds for the fattening of the said hogs during such period as the said hogs are in possession of the Feeder and shall charge and debit the aforementioned special account wtih the value of such commercial feeds at current retail prices so supplied and delivered to the Feeder.

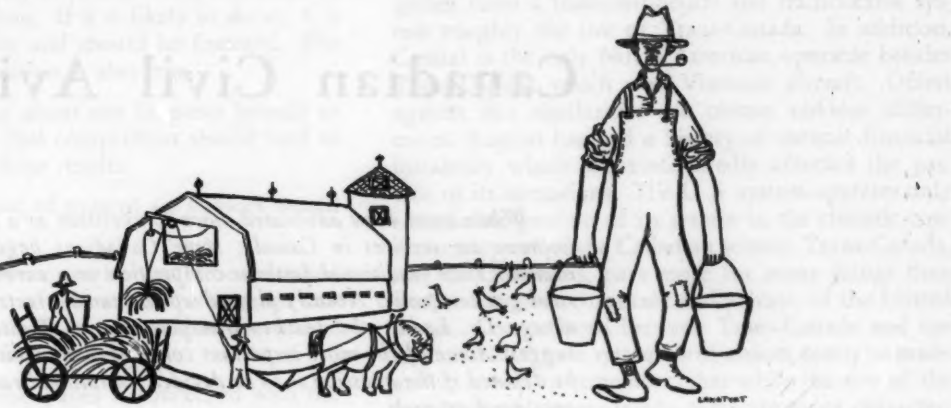
6. Upon the marketing of the said hogs by the Feeder, the sale price thereof shall be by way of cheque made payable to the Feed Dealer, and the Feed Dealer shall forthwith credit the aforementioned special account with the amount of said cheque representing the sale price of the said hogs.

7. After the sale or marketing of the said hogs, the Feed Dealer agrees to remit to the Feeder the credit balance in the aforementioned special account, which said balance shall represent the profit to the Feeder under this agreement, and the Feeder agrees to reimburse the Feed Dealer any deficiency in this account, if the sale price of hogs does not cover the debit balance in this account.

8. The Feed Dealer shall place a policy of fire insurance on the said hogs so delivered, as well as insurance on their transportation to place of market.

9. In the event that any or all of the said hogs owned by the Feed Dealer and taken into possession of the Feeder, either die, are stolen, or become damaged from any cause whatsoever prior to the sale or marketing thereof, with the result that all or any of the said hogs cannot be marketed, the Feeder agrees to pay to the Feed Dealer the cost price of any or all of the said hogs purchased by the Feed Dealer and delivered to the Feeder, together with the value of such commercial feeds at current retail prices so supplied by the Feed Dealer and delivered to the Feeder, and further together with the carrying charge of $.................... for every hog so delivered to the Feeder.

This agreement shall ensure to the benefit of and be binding upon the parties hereto, their heirs, executors, administrators and assigns.



PHILOSOPHY AND THE BUSINESS SCHOOL

The divorce of the university from the market place is a relatively modern phenomenon. Greek and mediaeval universities had professional schools; or, at least, they provided professional training in science, law, medicine, education and religion. The practical efficacy of Salerno, Pisa, Bologna, Cambridge, Paris, Edinburgh, Oxford, are well known. Whitehead suggests that if Aristotle were alive today he would be greatly interested in the Medical School, the Biology Department, and the School of Education. He would also "sit in" elsewhere. Certainly the Department of Political Science, and even the Department of Philosophy, might be honored by his presence. Plato too it must be remembered, was interested in political activity in its most practical aspects. He made long and dangerous trips in order to participate, directly, in the affairs of state. He was well aware of the values of applied mathematics in military, and civilian, life.

Turning to the type of training which should be offered at the Harvard Business School, or any business school for that matter, Whitehead contends that clothing facts with imaginative insight is an essential contribution to success in business. A man must project himself, imaginatively, into the total situation in which his business operates. Unless he thus understands his environment he will not be able to deal with it effectively.

Therefore, a course of study at a business school should make it possible for a person to stand, in imagination, with the men who "get out" the raw material, the men who transport it, the men who process it, the men who buy the finished product, the men who hold stock in the company, the men who are the company's chief competitors, and so on and on. Before he is through, the successful businessman must familiarize himself with history, geography, science, politics, religion — indeed most phases of human knowledge. Closely related to this is the ability to observe basic general laws immersed in a mass of specific facts; and, having recognized these laws, see how they can be applied in new problem situations. All this knowledge must be organized in terms of some value standard. The ability to perform this type of intellectual activity (the imaginative grasp of fact plus the efficiency of balanced judgment) with reference to commercial activities, is something which the university business school can help a student develop, as no other agent can. In short, Whitehead is arguing that the university should provide trained leaders for the field of business just as it has done, for centuries, in the fields of law, medicine, and religion.

This understanding of what is involved in business enterprise is invaluable to a young man during the first part of his business career. At the beginning he is likely to be assigned to some routine, apparently unimportant task. This is valuable discipline. Also he will learn many things which are not taught in business school. Yet, there is the danger that too much routine and apparently uninteresting work may sour a person, and lower efficiency. The broad perspective, provided by business school training, should help a young man to understand the place of the present "drudgery" in the total situation. It will then be at least endurable. It may become suffused with interest.

—*A. H. Johnson,*
"Whitehead's Philosophy of Civilization",
Beacon Press, Boston.

Competition in Canadian Civil Aviation

While some have advocated more competition as a means to improve air services in Canada, some Canadians began to re-examine their traditional faith in competition as a cure-all when rival gas companies recently plowed up the same streets in Winnipeg. Dr. Ladd, who teaches transportation at Western, here suggests some of the more important considerations which should be debated if the question is to be decided on rational rather than emotional grounds.

DWIGHT R. LADD

EARLY in February, 1958, the Minister of Transport made the not unexpected announcement that the Canadian government would no longer, as a matter of policy, turn a deaf ear to petitions from private operators for permission to fly regularly scheduled airline services on routes now reserved exclusively for Trans-Canada Air Lines. The announcement did not say that such petitions would be granted, but strongly implied that they would be given favourable consideration. At the present time, both Canadian Pacific Airlines and Pacific Western Airways have submitted applications for permission to fly various routes now served exclusively by Trans-Canada. Canadians are thus faced with making a major decision about the policy governing civil aviation.

There are two fundamental issues wrapped up in this question: Competition vs. monopoly, and private enterprise vs. government operation. While both of these issues are involved, there is no necessary connection between them and they can be and should be considered quite separately. As a practical matter, there could be a private enterprise monopoly in civil aviation as there is, for example, in telephone service in many provinces. Theoretically, though perhaps not practically, there could be competitive government-owned operations.

In these observations, I am exclusively concerned with the question of monopoly vs. competition. This question can, I believe, be considered quite dispassionately, which is probably not the case with the private or public ownership question. In the debates to come, these two issues will be confused — sometimes deliberately, sometimes unwittingly. A sound, rational and perhaps most important, a lasting decision will not be reached if the competition or monopoly problem is beclouded with the private or public ownership issue.

While the purpose of this paper is to examine the monopoly vs. competition question, it does not attempt a definitive answer; it does not recommend either that competition be allowed or that it not be allowed. Rather, it suggests some of the more important considerations which should enter into the ensuing debate if the question is to be decided on rational rather than emotional grounds.

For some, competition is not a subject for rational debate. There are those to whom it is an

article of faith that competition under any and all circumstances is A Good Thing. And there are others equally true to the dogma that competition is Never A Good Thing. Such positions, I take it, are fundamentally emotional and are not likely to be reconciled. The rational, unemotional approach to the problem is to determine whether or not competition in civil aviation is likely to produce long-run benefits for the Canadian nation. If it is likely to do so, it is indeed A Good Thing and should be fostered. The reverse of this proposition is also true.

In order to bring about any long-run benefit to Canadians it appears that competition should lead to one or the other of these results:

(1) The overall cost of present air services would be reduced.

(2) The quantity of air service would be increased or the quality of air service would be improved or both, at a cost which the public would be willing to meet.

The balance of this paper is concerned with the several criteria which must enter into considerations of change in the cost of air service, the quantity of air service and the quality of air service.

COMPETITION AND COST

It is generally held that competition should lead to reduced cost by providing the impetus for more efficient operation. It is also true, however, and especially so in the case of transportation, that competition can lead to increased cost as a result of duplication of service and extravagant operations. Thus, one must consider whether the savings from possible efficiencies will out-weigh the costs of duplication and extravagance.

If one takes the position that competition in Canadian civil aviation is to result in more efficient and therefore, less costly air service, one is implicitly assuming that the existing carrier, Trans-Canada Air Lines, is less efficient than it need be. Put another way, before Canadians can expect competition to result in less costly air service, they must establish that the present air service costs more than is necessary.[1]

Satisfactory tests of the efficiency of a given operation are not easily come by. Typically, resort is made to comparisons with supposedly similar operations, and since similarity among companies is apt to be more superficial than real, the comparisons are inevitably full of uncertainty. Also, such comparisons can only be made by persons having complete access to the accounting and statistical records and to the managements of the companies.

[1] This, of course, assumes that there is no technical condition which makes operation by two carriers cheaper than operation by one. As far as the writer knows, there is no such condition.

It is generally felt that Trans-Canada's operations can be roughly compared with the combined operations of Capital Airlines and Northwest Airlines in the United States, since these two operations together form a transcontinental and transoceanic system roughly the size of Trans-Canada. In addition, Capital is the only North American operator besides Trans-Canada which uses Viscount aircraft. Offset against this similarities are certain obvious differences. Capital has had a history of chronic financial instability which has undoubtedly affected the pattern of its operations. The U. S system operates only a moderate portion of its service in the climatic conditions typical of the Canadian winter. Trans-Canada, like all Canadians, pays more for many things than do citizens, both corporate and private, of the United States. Comparisons between Trans-Canada and the Capital-Northwest systems will almost surely be made and it is well to remember, that while the size of the two is roughly comparable, there are many characteristics of both which tend to vitiate such a comparison.

It is undoubtedly a truism that any business operation can at any given time reduce its operating costs, and surely Trans-Canada is no exception to this. However, the fact that Trans-Canada has made an operating profit in most recent years at fares which have been only slightly higher than those of other North American carriers, suggests that its inefficiencies are not of a great magnitude. Some of the possible losses resulting from competition which will be mentioned in this note appear to be potentially greater.

DUPLICATION OF SERVICE

Duplication of service is the essence of competition, and is not, in itself, undesirable. It is a fact, however, in the case of regulated transportation companies, that there is frequently unnecessary and costly duplication of service.

When we speak of "Permitting Competition" we are essentially describing the concept of "freedom of entry" which is a fundamental part of any competitive system. It is well to remember, however, that a very necessary corollary of "freedom of entry" is what might be called "freedom of exit". It is fundamental to the operation of any truly competitive system that the strong have the opportunity to survive and grow stronger and that the weak have the "opportunity" to suffer the inevitable consequence of their weakness—failure and collapse. If this is not so, if the weak are not permitted to collapse,

competition is not fulfilling its function of keeping costs down.

It is pertinent, therefore, to ask when the public last permitted a transportation operation of any consequence to go out of business. Transportation agencies occupy a peculiar position among our business organizations. Sometimes they are considered as purely competitive service producing agencies. Other times they are considered as public utilities, and this latter almost inevitably occurs when the abandonment of transportation facilities is being considered. On such occasions the test of public convenience and necessity takes over from the purely competitive test of financial success. That is to say, many patently uneconomic transportation services are being operated because of public convenience and necessity without regard for financial loss. They are subsidized directly by the public or internally by profitable operations of the company providing the service. One need think only of the hundreds of miles of Canadian countryside crossed by the parallel tracks of the two railways, neither of which are utilized to capacity. An examination of the record of hearings on carrier petitions to abandon service in both Canada and the United States suggests that any transportation service, even an essentially duplicate one, will be a necessity to someone and a convenience to someone. And since those who will be harmed or inconvenienced will always make this fact known, while everyone else is quite thoroughly disinterested, it is not surprising that many services are retained.

There is a public resistance to the abandonment of uneconomic transportation services. By definition, any new, competing service would duplicate an existing service. Any particular market might not be sufficient to support the two, yet "public convenience and necessity" would require retention of both. The consequence of this would be inevitable. Because of the duplication of overhead, it costs more to operate two services than just one and so the overall cost of air transportation would increase without corresponding benefit.

EXTRAVAGANT OPERATIONS

Most airline operations in North America are now operating with very low profit margins and their operating costs have been increasing steadily. The highly competitive U.S. airlines recently went through many months of hearings in an attempt to get permission to raise fares by 6%. After first being denied their request it was subsequently granted on a "temporary" basis, and several airline spokesmen have said that in the interim the "need" for new revenue requires a 20% fare increase. In the United States it has been regulation rather than competition which has kept airline fares from rising. In Canada, by way of contrast, airline fares have been declining over the past few years.

In light of this, it is interesting to turn again to the United States and observe how airlines in that country do compete. A despatch in the *New York Times* of Sunday, February 2nd, 1958, indicates that to some extent the competition does not lead to a lower cost of service.

> "The Civil Aeronautics Board has filed complaints against six major domestic airlines accusing them of scheduling competitive flights on schedules so unrealistically tight that airplanes all-too-often cannot meet them. In some cases, the C.A.B. documents point out that none of as many as an entire month's flights between specific towns reached its destination on time."

This despatch goes on to point out that the six airlines involved operate on highly competitive routes. Since speed is probably the thing in which the airline customer is most interested in other than price, and if price competition is largely non-existant, it is not surprising that this sort of "competition" results.

These same factors have led to another form of competition—competition in the acquisition of new aircraft. All major U. S. airlines have currently on order aircraft which will convert their entire fleets to jet or turbo-prop operation. At the present time, the value of these aircraft on order is well in excess of $2 billion, a sum which is about four times the net worth of U. S. trunk lines. The capital cost of converting maintenance and airport facilities for handling these aircraft are indeterminate but the extensive changes which will be required will represent substantial outlays on the part of airline operators and airport operators who typically are the public.

The first thing to consider is that these new aircraft replace aircraft which are not, except in the case of higher speeds, obsolete. The new aircraft generally have greater capacity than those which they replace and while their estimated operating costs per available seat mile will probably be lower, the breakeven loads will generally be much higher. And at the present time there is no indication that airline capacity is behind demand for that capacity.

The fact of the competitive situation is that if one carrier orders and advertises new aircraft which have greater speed (which probably cannot be fully utilized because of terminal congestion) and supposedly greater comforts, competing airlines are

forced onto the merry-go-round even if financial insolvency may result.

In summary, while it is true that competition may reduce costs by spurring efficiency, it is at least equally likely that it will lead to increased costs as the following observation suggests has happened in the United States:

> "With air travel rising about 12% in the year-to-year comparison during the first six months of 1957, net incomes slumped to about half that of the year previous. This was due to rising costs and increased competition for passengers among the leading companies, which ironically enough has been fostered by the C.A.B. Recent route awards have increased the number of airlines serving most major U.S. cities. These have been followed by increased promotional and advertising costs, and a reduced load factor for most carriers.
>
> "Some airlines have been scheduling more planes between points than the traffic could genuinely support so as to protect their share of the market. This has further reduced the percentage of occupied seats, which has a marked effect on the individual operating profit margin.
>
> "This, coupled with the other rising costs of labor, equipment and maintenance, has caused the accelerated income decline. Only one thing has remained fixed: the fare structure."[2]

It was observed above that United States airline fares have recently become "unfixed" and the odds are that in spite of the resistance of public regulators they will soon be "unfixed" again. The remaining avenues of competition open to the airlines may well not lead to a higher level of air service, but will almost surely lead to a higher cost for air service.

QUANTITY OF SERVICE

One of the potential, beneficial results of competition is that it will result in a greater quantity of service. However, this is a beneficial result only if there is a demonstrable "need" for service which is not presently being met. One must therefore consider what constitutes a "need for service".

In establishing the "need" for any public transportation service, it is necessary to reach a compromise between the quantity of service people want and the quantity of service people will be willing to pay for. The extreme mobility of our society seems to have led us to plan our movements on the basis of wanting to go when we are ready to go. (This is undoubtedly an explanation of the ever-increasing popularity of the private vehicle over scheduled, public carriers.) Thus, it might be said that the absolute need for any transportation service requires an infinite number of scheduled departures and arrivals at all points, a need which manifestly can be met only by a widespread system of conveyor belts. In more realistic terms it is necessary to establish the needed quantity of service in terms of the demand for the service at prices approximately those currently in force,[3] recognizing that, to some extent, demand will be affected by the frequency of service.

Quantity of service cannot be considered independently of cost of service. Any particular combination of route and aircraft has a certain break-even load factor and until this is reached, the operation does not make a return to overhead and profits. In other words, on a given route 36 passengers in a 40-passenger aircraft might be well above the break-even point at the fare level, while the 36 people spread over two flights of 40-passenger aircraft might be well below the break-even level for both flights. Undoubtedly, it will be more convenient for the 36 people to have a choice of two departure times, but the only economic way in which that convenience can be provided is with substantially higher fares. With higher fares, 10 of the 36 may decide to use surface transportation and the operation again becomes a losing one.

Airline facilities, like those of all carriers, are a function more of time in service than of actual demand for service. That is to say, a certain number of aircraft are required to maintain a particular route and frequency pattern, a number which will be quite unaffected in the short run by the use made of the aircraft. And of course, for market reasons the pattern and frequency has to be set in advance and maintained over some period of time. In addition, since a service is being produced, there is no possibility of using inventories to cushion short-term fluctuations in demand. In other words, the facilities have to be based on peak load requirements. All of this adds up to the fact that most carriers are quite typically characterized by under-utilization of facilities, which tends to assure that practically any possible demand for additional service, even at extremely moderate returns, will be happily filled by the carrier.

These same characteristics tend to make unrestrained competition impossible over extended time periods. If all competitors have under-utilized capacity they will all tend to use every device to cap-

[2]Canadian Aviation, Vol. 30, No. 10. October, 1957, page 41.

[3]This is on the assumption that the level of operating costs is so high that fare reductions, except as a result of impossibly high volume increases, are not possible.

ture enough business to utilize fully their facilities. In such a competitive struggle the strongest of the competitors will almost surely achieve the dominant position in the industry. He may choose to tolerate the weaker operators so as to maintain a fiction of competition, or he may choose to drive out the weaker competitors, in which case a monopoly situation will return. It is possible, of course, that a new monopolist will have succeeded the earlier one.

Public intervention could prevent the rise of a new monopoly. The reluctance of the public to allow transportation companies to go out of business was discussed earlier. There is no doubt that this has been the pattern of regulation up to the present, and it seems unlikely that this pattern will change in the future. Thus, society may be expected to prevent the natural result of competition and in so doing will almost inevitably insure higher costs for air transport since two or more operators will be doing the job which one can do.

Thus, the question to be considered under this head is whether an unfilled need for more air service exists, and in considering this it must be recognized that there is probably always an unfilled need on the part of someone for more service. Practically, the only "unfilled need" that can be considered is that which, if met, would give some return to the operator.

If such a need exists, it will be filled by competition only if the facilities of the existing operator are fully utilized. The general nature of transportation companies suggests that, over the long run, this is not the case. Trans-Canada currently operates with a load factor of about 70% which means that, on the average, 30% of its available seats are not being used. It would seem, prima facie, that the overall need for service is being met. However, this is only an aggregate statistic and suggests nothing about the relationship of quantity of service and need for service in any particular locality. If there are localities where the need is not being met the decision as to whether it can best be met, over the long run by competition is one which needs extremely careful and unemotional consideration. A period of high cost service followed by the collapse of competition may be the result of such action, rather than the satisfaction of an "unfilled need".

QUALITY OF SERVICE

The final general consideration concerns the quality of air service. Competitive forces may be expected to lead to a higher quality of service, though only if the quality of existing services is thought to be less than desirable. Any conclusions on this point are inevitably highly subjective conclusions, because an evaluation of quality is inevitably a highly subjective process. Thus, there are few direct comments on the quality question which could usefully be made. There are, however, one or two indirect observations which seem pertinent to the problem.

In the first place, the problems of production quality control for any transportation service are fantastically difficult. A manufacturer can, with relatively modest expense, establish testing and inspection procedures which will give him a high assurance of rejecting bad production runs. Customers do not see or buy bad lots which are reworked or thrown on the scrap heap. A passenger carrier is, in effect, faced with the fact that the customer is riding on the machinery at the very moment it is producing. If, in spite of all efforts (which may be quite costly) something goes wrong, the customer is right on the spot to observe and experience — often in an unpleasant way — the difficulties. This problem faces all carriers, competitive or not.

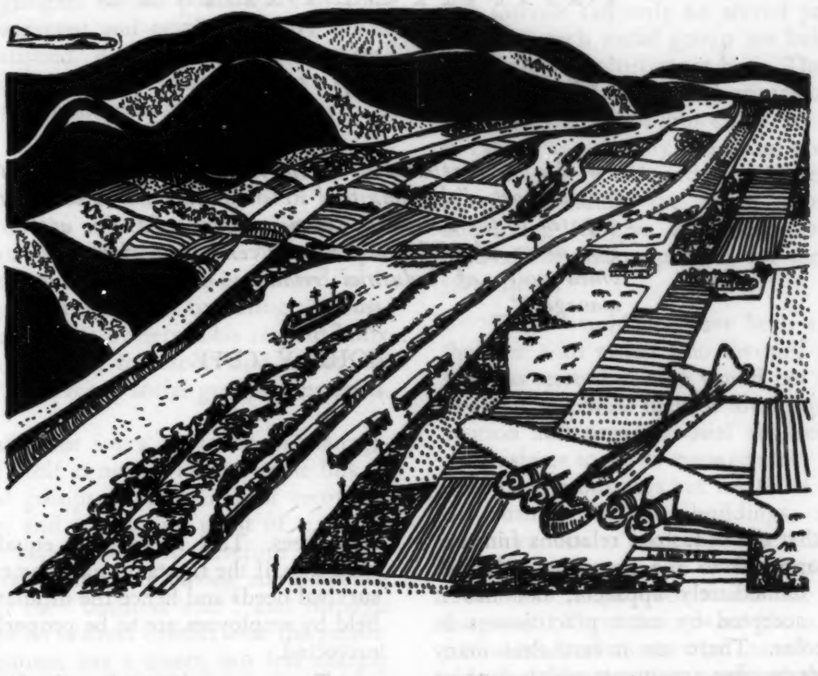
A second factor to be considered is that a considerable portion of the total service to the passenger is out of the control of the airline. It is generally true in North America that airports and terminals are owned and operated by someone other than the airlines. Thus, even though terminal facilities may be inadequate, uncomfortable and generally unpleasant, the airlines using them can do little in a direct way to change them. The customer, however, is probably unaware of this distinction and blames any unpleasantness or difficulty on the organization which sold him his ticket—the airline.

Finally, it is well to remember that quality costs money. Fewer and larger seats in an aircraft make for a more comfortable journey; they also increase the break even load factor. Two "free" cocktails rather than one or one rather than none, may make the journey more pleasant, but obviously, the "free" characteristic is illusion. Full course meals carefully arrayed on a slice of bread may constitute a most tempting "sandwich" but they cannot for long be provided at "sandwich" prices. Quality of service, like quantity of service, is not an independent variable. It can undoubtedly be increased, but increasing it will inevitably increase the cost of service.

SUMMARY

As to the question of whether or not competition should be introduced on domestic airline routes in Canada is considered, it is important that attention always be focused on what it is that competition is supposed to do. Broadly speaking, competition to

be warranted, should lead to decreased cost of air service, greater quantity of needed air service and greater quality of air service. If the chances are that any or all of these benefits will be achieved, competition is undoubtedly desirable. The alternate risk is that competition may provide greater quantity and better quality of service in the short run at a considerably greater cost to the Canadian people. Such a "competitive" situation is not likely to continue for long.



TAKE OVER THE FUTURE

Arabs and Jews alike, Indians and Pakistanis—however much they lower at one another, they have one thing in common. They have no stake in the past; their hopes lie in the future. The diplomatic offensive of Russia rests on this and on nothing else. The Russians display communism as a faith for the future. The present, they say, may have to make sacrifices for the future; but those who believe in the future—and here Russia points to herself—can remake themselves in forty-odd years as she has done. History is on our side, said Karl Marx; and today communism put this very practically by claiming that it holds the keys to the future.

The most attractive and the most powerful of these keys, of course, is technical skill. The Russians have a large output of scientists and technicians—roughly ten times as many as Britain has, in a population about four times as large. As a result, the Russians can offer at least ten times as many technical men to any country that asks for them; and day by day, up and down the world, the Russian engineers are coming to take the place that once British engineers had.

But more than their numbers it is the status of these men which makes the poorer nations feel that they have the future on their side. The Russians count no one as educated who has not been grounded in the fundamental ideas of science, and they present their scientists as an aristocracy. A scientist is even entitled to independence of thought: there were Russian scientists who refused to make an atomic bomb for Stalin, and they rode out his displeasure. So the dispossessed peoples, who rightly equate their future with science, go on and wrongly equate science with Russia.

The tension between East and West is a struggle for the public opinion of the poorer countries, and this is a struggle betwen ideals. They see communism as one ideal, and we have to show Western democracy as a larger ideal. Instead, we have practised a passive and spiritless vision, a diplomacy in retreat and have shown democracy only as a shadow from the past. If we are to inspire the people rising from poverty, we must inspire ourselves; we must give them a sense of optimism, of marching with history and science—a sense of the future. Mr. Khruschev is not the figure of the future, but we have turned him into a very good likeness by default. I suggest that it is time that we take over the future.

—*J. Bronowski,* Punch, May 7th, 1958.

Industrial and Personnel MANAGEMENTS in conflict

Are you prepared to accept the startling, if not arbitrary, premise that—"the Industrial Relations function is diametrically opposed to the Personnel Relations function"? The author here goes on to ask—"Can a person successfully perform in the combined roles of industrial relations manager and personnel manager?"

JOHN V. CUFF

THE premise that the industrial relations function is directly opposed to the personnel relations function is not immediately apparent, nor has it necessarily been accepted by most practitioners in either or both roles. There are nevertheless many compelling and persuasive arguments which support this proposition.

The conflict stems from the opposing nature of duties.

The "personnel manager" is concerned with situations involving employees as individuals; he endeavours to interpret accurately for the benefit of the management the feelings and needs of the employees; and he generally participates in an upward pressure on management generated by employees as individuals in expressing their feelings and needs. Even when individual pressure is converted into collective action the personnel manager's function continues to be desirable and necessary, if the rights and the feelings and needs of individual employees are to be properly considered on an equitable basis.

On the other hand, the "industrial relations manager" is concerned with situations involving employees collectively; he endeavours to interpret accurately for the benefit of the employees the feelings and needs of management; and he generally participates in a downward pressure on the employees generated by management to meet the sharply increased upward pressure created by the collective action of employees. This function is equally desirable and necessary, if the rights of management, the company's survival needs and hence the ultimate security of jobs held by employees are to be properly and adequately protected.

To give visual meaning, the functions have been charted in figure 1. It should also be underlined, at

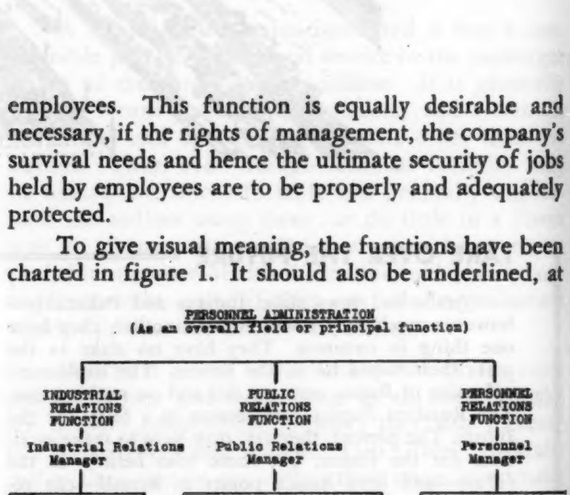


FIGURE 1

"THE RELATIONSHIP IN BALANCE"

the outset, that no conscious effort is being undertaken to evaluate here the relative importance of the functions and roles under discussion in fulfilling the needs of management and employees, save to the extent necessary in expressing the ideas of conflict.

Figure 1 highlights certain possibilities of conflict. Both management and employees have needs which must be satisfied. Regardless of consequences, they can be needs which may sometimes have to be achieved without mutual enthusiasm.

THE GENERAL AREA OF CONFLICTING INTERESTS

Regardless of the attitudes or morale of employees, the management of a company has certain obligations which must be met. It is charged with the responsibility of satisfactorily operating the business in the interests of its owners. This responsibility also carries with it a duty to respect and satisfy the varied interests of the many social groups concerned.

It is not sufficient for a professional management to think of itself as merely an inevitable link in a chain of social groups. Rather it must recognize itself as the hub, and controlling pivot of a typical "business unit". Management is therefore in direct contact with every social group having an immediate relationship with the "business unit", and through such social groups an indirect contact with the public-at-large. Management has a direct, but less sharply defined, contact with the public-at-large through its own public relations function.

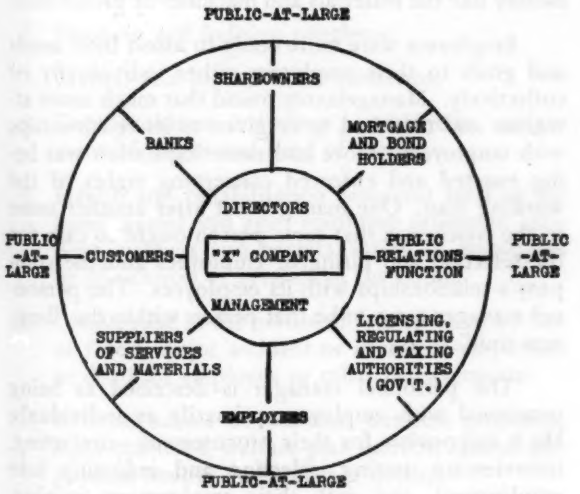


FIGURE 2

"A TYPICAL BUSINESS UNIT"

Figure 2 suggests certain social groups which must be recognized and made reasonably satisfied by management, if a company is to have the desired approval of the public-at-large.

While the public interest appears at all points of the perimeter surrounding a business or enterprise, this interest can only be served properly when the needs of each social group are being equitably met on a mutually satisfactory basis. There is such a great dependency of these social groups on each other that it is difficult, if not impossible, for any management to favour successfully one social group over another. It requires very little reflection to realize the common interests binding the social groups together, in attempting to give expression to their respective motivations and to provide for their respective survival needs.

There would not have been a business but for the men with vision who invested capital to get the business started. There would not have been a business but for those men of ideas, and knowledge, invention and organizational abilities who came into the business to be its management. There would not have been a business but for those who sold land to the business, built its buildings, supplied it with machines, tools, equipment, services and materials, and those who came to work as its employees in the creation of its products and in the fulfillment of its purposes. Then there were those who became its customers, and those who loaned it money to provide for the operating needs of the enterprise, and finally those in Government who gave to the business a responsible legal entity. There is obviously a different motive involved within each social group but all have a common interest in the successful continuance of the "business unit".

There are many who place the customer at the top of the pyramid and forthrightly confer on this social group the incontestable title of "Boss". The concept of the "Customer" as the real "Boss" is a reasonable one if the principal revenue of a business is assumed to flow only from "Customers" as such. But it is easily realized that this revenue comes through the "Customers" from the public-at-large. Who can say for certain that the shareowners, suppliers, employees, and others are not in varying degrees the real creators of the needs and demands of the "Customers" of a business? Indeed the dependency of these social groups on each other is repeatedly evident.

Managements in recent years have been brought more and more into conflict with the social group known as "Employees". No longer does this social group wait patiently, like the long-suffering share-

owners, for the management to bring about equitable consideration. The right of employees to bargain for their hours of work, wages and working conditions has been established by statute. Employees are today increasingly successful in predetermining their hours of work, wages and working conditions well into the future and before the necessary revenue has been realized by the employer. Any predetermination of concessions for the benefit of employees as a social group which later proves to be out of balance with the interests of other social groups, can only lead to a harmful impact, in the long run, on the interests of the public-at-large. This is a management problem which employees are not always ready to recognize.

A company has an obligation to the public-at-large to be successful in business; to pay off each debt and charge against the business as it becomes due; to reclaim from income that part which came about through the wearing down of equipment and facilities used to produce income; to pay its taxes; to pay fair wages to its employees; to have enough net profit left over from each year's operations to pay its shareowners fair dividends and to provide for the retention of sufficient profit in the business to enable the company to afford new facilities, machines and equipment as new methods and products point the way to greater security for the "business unit" and its constituent social groups.

THE PARTICULAR AREA OF CONFLICT

The impact of the employee as an individual, with respect to his needs, goals and achievements, affected the employer, and usually good and well meaning relationships flourished between employee and employer. Slowly and almost without evidence or warning, employees began to supplement their individual relationship with the employer with a group relationship, and a more united and militant form of pressure began to characterize the social group known as "Employees".

Despite group pressure, and collective agreements, most managements continued to have a close relationship with their employees as individuals. The employees are closest of all social groups to the management of a company. The employee group is continually breeding and developing future managers and the future agents of the employees themselves. Management and employees are daily companions in a relationship that will ordinarily encourage mutual confidence, understanding and respect. It generates a feeling of warmth sometimes obscured by the noise of battle and conflict but never extinguished — a relationship that trade and industrial unions must recognize as possessing appeal for its union members often as great as that for the union itself. For that matter, the question of dual loyalties of an employee for his employer and his union has already been given much attention in recent years.

THE PERSONNEL MANAGER

Over many years, managements generally began to realize that employees were no longer content to rely exclusively upon the employer for the unilateral determination of their hours of work, wages and working conditions. Employees became more openly critical of management and more vocal, individually, about such matters, if for no other reason than to voice reaction to management decisions. Suffice to say, the change had a disturbing impact on the conscience of managements. It called for a reassessment of values and perspectives. For example, managements began to find that the administrative actions of one manager or supervisor had become the precedent by which employees judged the actions of another. Some managers or supervisors possessed a natural appreciation for, and a ready recognition of good human relations. Others governed themselves by their ability to rule with complete autonomy, good or bad. Still others possessed no such talents and proceeded along avenues well sprinkled with unequal treatment of their subordinates. Some treated their subordinates with consideration second to that accorded other responsibilities and interests. These are human enough imperfections. Sometimes they have been used unfairly against employers to claim that this or that company seems to look upon its employees as simply a necessary but replaceable commodity like the materials and machines of production.

Employees were more ready to assert their needs and goals to their employers either individually or collectively. Managements found that much more attention and time had to be given to its relationships with employees. More and more legislation was being enacted and enforced concerning rights of the working man. One management after another came to the conclusion that some person ought to care for the selection and hiring of employees and the company's relationships with its employees. The personnel manager came to be that person within the "business unit".

The personnel manager is described as being concerned with employees primarily as individuals. He is responsible for their procurement—contacting, interviewing, testing, selecting and inducting into employment, and with their employment training, education and progress as individuals. He is vitally interested in the attitudes of the individual employee and the overall compatibility of the employee. He

becomes involved in the physical and mental health of each employee. Even when he is concerned with group situations it is usually related to personal needs of the group. Safety, plant hospital and first aid, plant cafeteria and automatic vending of food, welfare and recreation are all involved from time to time in the personnel manager's relationship with each individual employee.

Counselling in one form or another plays an important role in the duties of a personnel manager. Counselling must be supported by a sound and complete knowledge of the company's policies and practices. This knowledge must also be intelligently and ethically used to help management on policy and practice formulation.

The employee can introduce many personal problems which his supervisor may wisely refer to the personnel manager, such as:

1. Frustrations from lack of job opportunities and goals and the failure to achieve goals, also lack of initiative or misdirection of initiative;
2. Personality conflicts with fellow employees or supervisor. They may also give rise to feelings of inferiority and insecurity;
3. Attitudes ranging from overbearing belligerency and overenthusiasm to complete apathy and laziness;
4. Criminal tendencies such as dishonesty, stealing and moral turpitude;
5. Corrective assistance preceding and following discipline;
6. Housing and lodging proglems;
7. Marital and broken home problems;
8. Debt problems including garnishments, assignment of wages and need of loans;
9. Health and rehabilitation problems such as the handicapped and aged employee problems, accident, sickness and hospitalization of employees or of sickness or invalids in the home;
10. Catastrophe in the nature of loss of home by fire or flood, major accident or illness of employee, or death of employee or other bereavements;
11. Referral advice on personal business problems, legal questions, welfare plan carriers, mental and physical health, and spiritual needs;
12. Education related to night school opportunities, continuation of formal education, and in-plant training opportunities.

The personnel manager frequently finds himself the advocate of the employee in his intercessions with other members of higher management or directly with an employee's supervisor. He is today filling a role for management, which management may not have originally contemplated — communicating as accurately as possible the feelings and needs of employees. He is part of the upward pressure of individual employees on the management. The personnel manager should therefore possess a sound knowledge of company policies and practices and a constructive understanding of how far the company should, it at all, exercise a paterfamilias relationship with an individual employee.

THE TRANSITION

With the introduction into the "business unit" of collective bargaining between employer and employee, a new form of pressure developed for management, countering that gradually developed by employees. It became a necessary downward pressure exerted by management to resist any collective demands of employees which, if granted, could upet the balance the company had to preserve with other social groups in the "business unit".

Management's right to manage was being progressively challenged and weakened by the growing upward pressure of employee wishes to decide more things by self-determination. It became apparent that anything affecting the wages, working conditions, and security of jobs were being looked upon by employees as proper subjects for collective bargaining. Management needed an advocate of its own interests in dealing with the representations of employees, who would work in the employer's reasonable interests, in the opposite sense of the personnel manager working in the reasonable interests of the employees. This need readily led to the creation of the role of the Industrial Relations Manager.

THE INDUSTRIAL RELATIONS MANAGER

The industrial relations manager had to have a different point of view from that of the ideal personnel manager. He found himself concerned with the impact of collective bargaining on the company's operations. Guarding the company's right to manage the enterprise efficiently and without interference was the major task.

Consequently, the industrial relations manager deals with such matters as:

1. Certification procedings and/or voluntary recognition of the employee's union or association or of a national or international trade union;

2. Negotiation for a collective agreement through direct negotiations, a conciliation officer, a board of conciliation, and if necessary in the post board or strike periods;

3. Securing for the company the protection in a collective agreement it must have in retaining its right to manage the business such as:

(a) The right to maintain efficiency;

(b) The right to hire, retire, classify, direct, transfer, promote, demote, lay off, discipline, suspend and discharge employees;

(c) The clear and sole right to manage the business in all respects;

(d) The right to make, alter, and enforce rules and regulations to be observed by employees;

(e) The right to an understanding and commitment from the union and employees that no strike shall occur during the term of the collective agreement;

(f) Having a clear understanding with the employees' bargaining agent as to the relationship limitations and as to the exact scope of the bargaining unit;

(g) Making workable provisions for the seniority rights of employees that will permit the company to maintain or further develop maximum efficiency;

(h) Providing for the peaceful resolution of employees' grievances;

(i) Making clear the duration and termination or renewal provisions of any collective agreement made between the parties.

4. Handling employee grievances as complaints, in grievance procedure and before a board of arbitration;

5. Administration of collective bargaining provisions including:

(a) Rights of stewards and union officers
(b) Leaves of absence
(c) Occupational classifications
(d) Wages
(e) Incentive plan
(f) Hours of work and overtime
(g) Shifts and shift premiums
(h) Seniority rights and layoffs
(i) Recall rights
(j) Union security and check-off
(k) Plant holidays and conditions for payment
(l) Vacations
(m) Welfare plans including hospital benefits, surgical, medical, sickness and accident indemnities, life insurance and pension plans.

6. Dealing with problems of security, including movement of personnel to and from government classified work. Often the industrial relations manager is in charge of plant guards, patrols, gate houses, and private agency investigations.

7. Seeing that the company and the employees observe legislation such as:

(a) Labour Relations Act
(b) Hours of Work and Vacations with Pay Act
(c) Factory Act
(d) Workmen's Compensation Act
(e) Unemployment Insurance Act
(f) Operating Engineer's Act

The foregoing outline reflects the framework in which the needs of management can create a downward pressure on employees.

Therefore, in the opposite sense to the personnel manager's participation in protecting the rights of individual employees and in that kind of upward pressure, the industrial relations manager is participating in the downward pressure. His activities are directed at protecting the rights of management and at developing and practicing sound labour or union relations with the employees collectively through their agent or representatives.

THE PUBLIC RELATIONS BRIDGE

Having defined the conflict between the functions of industrial personnel relations, it would not be proper to leave the concept without indicating its natural resolution.

By again referring to figure "1", it will be seen that the opposing pressures are figuratively equalized when the neutral grounds of public relations are introduced. The moment we begin a definition of the public relations function as it relates to personnel administration we begin to find ground for common endeavours. Conflict is put aside and united interests become involved.

The public relations manager (and he may also be the personnel manager or the industrial relations manager) is concerned with everything that promotes the good reputation of the company with the public-at-large, the community in which the company is located, and with its employees and their families. An effort will be made to make every employee feel that he is a salesman for the company.

To identify the public relations area of activity, here are some of the more obvious activities:

1. Communications;
2. Employee welcome booklet;
3. Information pick-up racks for employees;
4. Newspaper for employees;
5. Recreational activities such as organized sports, picnics, Christmas parties, excursion trips, and staff house facilities;
6. Plant visits by neighbours, civic groups, students, employees' families and others;
7. Donations of products, facilities and money;
8. Providing arrangements for the voluntary giving of blood donations by employees;
9. Providing speakers and canvassers;
10. Encouraging employees to participate in community life;
11. Providing scholarships and endowments.

The public relations' function tends to weld together the separate roles of the personnel manager and the industrial relations manager and to provide common ground which may serve the interests of the company and its employees without concern for the basic conflict.

ANSWERING THE PROBLEM

Certain responsibilities of the personnel administration field will fall equally and interchangeably on either the personnel manager or the industrial relations manager, for example, such matters as systems and forms, advertising, budgetary control, investigations, surveys and studies, job evaluation, merit rating, employee records, and the like.

At the beginning of this article the question was squarely put — "Can a person successfully perform in the combined roles of industrial relations manager and personnel manager?"

There is no reason why the answer cannot be a guarded "Yes!", provided it is fully understood that it is a qualified answer. Unquestionably there are many men adequately and satisfactorily performing at the present time in the dual role. Their success is largely dependent, apart from necessary technical qualifications, on a native ability for practising good human relations and properly protecting the rights of every social group involved in the "business unit".

Often, such a man may be faced with the protests of an employee claiming to be the subject of unfair treatment by the company, when in fact, the employees collectively and the company have agreed to the compromises which produce unfavourable treatment occasionally to an individual employee. Collective bargaining, for example, has deprived the company of making certain decisions at its sole discretion respecting the job rights of employees. Collectively, employees usually seek through their bargaining representatives to have each employee's right to a given job determined exclusively on the basis of his relative seniority standing and his voluntary willingness to assume a given job. On the other hand the employer prefers that each employee's right to a job be established on the basis of an employee's qualifications as determined by the company.

Another example of the kind of situation which can face the man engaged in the combined roles is overtime. Some individual employees are anxious to get all the overtime work they can for various personal reasons. Other employees are unalterably opposed to working overtime and refuse any overtime offered. Still other employees are willing and prefer to work only that amount which they are satisfied is reasonable and necessary as determined by the company. Then there are employees who for certain domestic or other valid reasons cannot be expected to work overtime. The collective stand of the employees therefore is that of demanding that all overtime be strictly voluntary. The company requires that it obtain a sufficient number of qualified employees to perform the overtime work whenever it is needed.

These examples of conflict are representative of the vexing problems and situations which must be kept in proper perspective by the personnel manager in his relationship with employees as individuals and by the industrial relations manager in his relationship with employees collectively, and with increased difficulty if the roles are being performed by the same person.

CONCLUSION

As its very functional title implies, personnel administration is very sensitive to the contradictions and uncertainties of human behaviour in group and individual situations.

The function often deals with a paradox. On the one hand a relationship with the employee as an individual can bring out strong personal dissatisfactions which may usually be resolved with reasoning and logic, if only by sheer persuasion. On the other hand a relationship with the employees collectively can bring out strong group dissatisfactions which are not solved by reasoning, logic or persuasion, but by compromise agreements.

To perform successfully in the dual role, a person must be able to wear either of the two "caps" with equal comfort. He must be able to recognize which direction of pressure is most appropriate. In deciding which "cap" to wear he must always mentally answer the question—"Am I, on this occasion, an advocate for the company or an advocate for the employee?"

CANADA COMES EIGHTH

The First National City Bank of New York has again published a table showing the relative depreciation of currencies throughout the world. It is interesting to note that despite the efforts of the Bank of Canada, inflation since the war has been 50% worse here than in the U.S.A.

Rates of Interest and Depreciation of Money

	Indexes of Value of Money* 1947	Indexes of Value of Money* 1957	Annual rate of Depreciation (comp'd)	Rates Offered on Govt. Bonds† 1947	Rates Offered on Govt. Bonds† 1957
Switzerland	100	89	1.2%	3.17%	3.65%
Germany	100	87	1.5	n.a.	5.50
Venezuela	100	87	1.5	5.00	6.00
United States	100	80	2.2	2.25	3.47
India	100	79	2.3	2.86	4.13
Belgium	100	77	2.6	4.45	4.69
Italy	100	74	3.0	4.43	6.81
Canada	100	70	3.5	2.57	4.17
Denmark	100	69	3.6	3.65	5.77
Norway	100	67	4.0	2.50	3.12
South Africa	100	66	4.0	2.63	4.75
Netherlands	100	66	4.1	3.06	4.58
Sweden	100	65	4.2	3.02	4.33
United Kingdom	100	62	4.7	2.76	5.01
New Zealand	100	61	4.8	3.00	4.82
France	100‡	56	6.2	3.91	5.92
Mexico	100	49	6.9	9.94	10.32**
Uruguay	100	47	7.3	5.09	5.61
Australia	100	46	7.5	3.17	5.02
Finland	100	39	8.9	n.a.	8.00
Peru	100	37	9.5	6.66	7.69
Brazil	100	28	12.1	n.a.	12.00
Argentina	100	16	16.5	3.20	3.28
Chile	100	5	25.5	9.40	12.58

Note: Depreciation computed from unrounded data; n.a. not available; *measured by rise in official cost of living or consumer price index; †except for mortgage bond yield in Germany, commercial paper in Mexico, and prime loan rate in Brazil, Chile, Finland and Venezuela; **10-month average; ‡1948.

First National City Bank Monthly Letter, June 1958

Portrait of a Mine-Maker:

Noranda's Bill Roscoe

Continuing our series of business biographies, the* Business Quarterly *here presents Bill Roscoe, one of the many born in U.S.A., to whom Canadians owe a great debt of gratitude for developing our natural resources. Still working at 73, Bill Roscoe believes "one of the best goals a man can have is to provide a livelihood for people".

JIM CUNNINGHAM-DUNLOP

FIFTY years ago a short, slim American mining engineer quit his teaching job at the old Michigan College of Mines and headed for Sudbury. Harry L. Roscoe had heard that a man could make $150 a month in Canada's hard-rock country if he worked hard and had some luck. This was big money to the young engineer who wanted to repay his father for the money he had lent him to go to school. Sudbury was a booming nickel-copper town and it seemed to "Bill" as his friends call him, that here was the best place to start looking for his pot of gold.

Bill Roscoe went to Sudbury and made his $150 a month. But his pot of gold was to come later—and the gold would be mixed with copper, millions of tons of it.

Today he is 73 years old and ranks among the great names in Canadian mining. He has been a Canadian citizen for many years. Bill Roscoe, B.Sc., E.M., D.Eng. (Honorary) is senior vice-president of Noranda Mines, Limited. Apart from his high post in Noranda, the parent company, he is president of Quemont Mining Corporation, Normetal Mining Corporation, and is vice-president or director of many other Noranda enterprises including Canadian Copper Refiners, Canada Wire and Cable Company, Waite Amulet Mines and Gaspe Copper Mines.

Luck, or the lack of it, is very real to men in mining, and Roscoe, despite his exceptional engineering training and ability, is no exception. While he believes that a man must "subject himself to luck" by proper training, his philosophy about mining consists of, "Be in the right place at the right time". He thinks it might apply to other industries too. He explains, "Take the case of two young mining engineers who take charge of adjoining groups of claims. Both bring in diamond drills to explore their properties. Joe's hits a high-grade orebody with the first hole. From here on, unless he's an idiot, his fortune's made. As his mine grows and begins to pay dividends Joe grows with it and becomes manager of a wealthy mine. John on the neighbouring claims may discover a very marginal mine. He has to fight to make it pay and finally, when the ore is gone, his mine closes down. During his struggles he has learned more about mining than Joe. But many people, even in mining, will consider John a failure —he couldnt' make a go of it."

Unlike many men of the Canadian Shield, Bill Roscoe was not born into a hard-rock family. He says, "I never saw a mine until I was 21." His high-school principal in Traverse City, Michigan persuaded him to be an engineer because of his exceptional ability in mathematics. He entered mining because a friend told him about the Michigan College of Mines—to young Roscoe there seemed to be something glamorous about it.

TEACHING EXPERIENCE

After graduating with a master's degree in engineering, Bill Roscoe stayed on to teach metallurgy

for another three years. He treasures these three years and thinks that any college graduate would be well advised to get a little teaching experience before going out to practice his chosen profession. He says, "A bunch of smart young students can make a monkey out of you if you don't know your stuff. So to keep from being a monkey you go home and really learn the books you just skimmed through in your undergraduate days."

Bill Roscoe certainly learned his stuff and his sound training was soon to be useful. Far to the northeast, under the muskeg and jackpine of northern Quebec lay a fabulous deposit of copper and gold—a mighty orebody that would reshape the destinies of many men and which, twenty years later, would be the heart of a sprawling empire of mines, metal refiners and fabricating plants.

In 1920, while Roscoe worked underground in Sudbury, a group of men in the northern Ontario towns of Haileybury and New Liskeard grubstaked a determined prospector named Horne. Horne had made many trips to little Lake Osisko over the Quebec border. He could not forget the tantalizing, rust-covered outcrop although experienced mining men told him it was too inaccessible ever to be a mine. He managed to convince the far-sighted men in Haileybury and New Liskeard that he had something, despite lack of roads, rail transportation and hydro. So, armed with staking licences, Horne put his canoe in the water at Haileybury and once more paddled and portaged to Lake Osisko. He put up his claim posts around what was to be Noranda.

START AT NORANDA

By 1926, when Roscoe was mine superintendent at the old British American Nickel Corporation in Sudbury, Ed. Horne's tantalizing find 175 miles to the northeast was a big mine. But no one knew just how big. Roscoe's friend Ernest Hibbert left Sudbury towards the end of 1925 and went up to the new Noranda to take charge of operations. A year later he asked the young mine superintendent to come to Noranda as his assistant. Here again Bill Roscoe points to his good luck. "There comes a cross-roads in every man's career," he explains, "a point where he has to guess the next step. I chose Noranda." At the time Hibbert's message arrived he had been seriously considering an offer from a mine in Chile. "It folded six months later," he recalls.

Noranda's underground development program swung into high gear with Roscoe's arrival. The new assistant manager spent very little time sitting in an office. Day after day he put on his oilers, hard hat and lamp and "rode the bucket" with the miners down to the underground workings. Massive copper sulphide began to appear as Roscoe's drifts, raises and croscuts spread out like fingers. With every shift more and more copper showed on the walls and every day Roscoe carried richer chunks of ore to surface for sampling. The excitement grew as the months went by. The climax came suddenly.

Four years after leaving the defunct British American Nickel, Bill Roscoe drilled into Noranda's fantastic "lower H" orebody, the richest deposit of copper-gold ore in North America. One of the world's greatest mines was born.

As Roscoe and Hibbert outlined the "lower H", brokers' agents and market speculators swarmed into Noranda like ants. Roscoe chuckles, "The only thing you didn't see on the street about then was false whiskers. To keep away from brokers' scouts we had to go underground." He used to wire his daily reports to the Toronto directors in code to prevent the marketeers from learning the news first. There were too many inquisitive eyes looking over the telegraph operator's shoulder to take a chance on messages in ordinary English.

By 1931 Bill Roscoe was general manager, Noranda Mines had a smelter and concentrating mill handling 3,000 tons of ore per day and the town on the shore of Lake Osisko was a model community—a far cry from the cluster of log cabins and tents complete with travelling troupes of Montreal ladies and blind pigs which made up Noranda in the 20's.

POPULAR WITH MINERS—AND STRIKERS

During his 19 years in charge of the big mine Bill Roscoe was a popular manager. His modesty and cheerful friendliness won him a smile and a wave wherever he went. Noranda people still remember how Roscoe, impeccably dressed in his dark suit and bowler hat, used to sit in the Company doctor's office waiting for his turn, politely refusing the offers of rough miners to let him see the doctor first.

One winter during a strike at the mine Roscoe drove by the plant gate in his big car, stopped to watch the union picketers and promptly got stuck in the snow. The union men immediately ran over to give the car a push. Roscoe and the strikers exchanged cheery greetings and the little manager drove on. His workers called strikes against the organization Roscoe represented, but had nothing but affection for the man himself.

On the subject of unions he says with a grin, "Don't get me started on unions. My wife says it's bad for my blood pressure." He summarizes his philosophy about international unions when he says, "If

you take from the rich and give to the poor, pretty soon all you have is poor." But his antipathy did not extend to union members. His miners soon realized that in Bill Roscoe they had a friend who spoke their language and respected their efforts.

Despite his professed opposition to "sharing the wealth", Roscoe's quiet generosity is legend in Noranda. Cecil Drummond, his secretary during the years at Noranda, writes, "Mr. Roscoe's first thought was always for the good of the men—his personal charities will probably never be known except to the recipients".

ISOLATION

These were good years for Noranda and for Bill Roscoe. But today when he looks back on his experiences in the booming community he remembers that he and his wife sometimes felt isolated. He explains, "When almost everybody in town works for you it's impossible to have many close friends. You get jealousies that can wreck the organization". This is his only regret about the years in northern Quebec's hinterland in charge of the mighty Noranda. He says, "Mining is an interesting and intriguing business and I'd do the same thing again".

In 1940 Roscoe was made vice-president of Noranda. He left the north country in 1950 and went to Toronto to take over the senior vice-presidency. His list of directorships in subsidiary companies grew as the Noranda empire mushroomed in post-war years.

Many displaced northerners loudly proclaim their fondness for the bush country and below-zero weather—particularly in the presence of city people. Roscoe is not one of these. He has fond memories of his younger days in Sudbury and Noranda but says that Toronto has advantages too. He explains with a twinkle in his eye, "Now when I leave the office nobody knows or cares very much where I go and no one watches to see who I go with".

Bill Roscoe has made many close friends in Toronto—a satisfying achievement to a man with his outgoing personality. And now that he is away from the boom and bustle of direct mine management he has more time for a game of golf and an occasional fishing trip. He is a member of the Toronto Hunt Club, National Club and the York and Granite Clubs. Roscoe the fisherman is also a member of the Boisclair Fish and Game Society and the Caledon Mountain Trout Society. In the mining field he is active in both the Canadian and American Institutes of Mining and Metallurgy.

SONS CONTINUE TRADITION

Whether it is due to Roscoe's influence or to heredity, his sons are carrying on the mining tradition begun by their dad. Harry, his eldest son, is mine manuager of Canadian Talc Industries. Bob is an executive of Boyles Bros. Ltd., a large diamond drilling firm and Stewart, the youngest son, is a geologist with the Canadian Government. All are university graduates in mining or geology. Harry graduated from his dad's alma mater in Houghton, Michigan, and Bob and Stewart from Queens. Stewart later went to Stanford for a Ph.D in geology. The one daughter, Jean, is teaching in a South American mining town.

Many friends and associates ask 73-year-old Bill Roscoe why he doesn't retire. Now, at a time in life when most men would have eight years of fishing or farming behind them, he still drives to work every morning—in a sporty Eldorado Cadillac—and puts in a full day of directors' meetings and administrative work. "I know a lot of people think an older man should get out of the way and make room for youth," he says, and then explains with typical humility, "One of the best goals a man can have is to provide a livelihood for people. I think that the knowledge and experience I've gained over the years can be useful in discovering and financing new mines. Canada is growing and the population is expanding. New mines open up the country and give jobs and a good living to young people." Roscoe believes that this outweighs any argument that he is keeping younger men from rising to the top.

Bill Roscoe is a man of very moderate habits, unlike the popular and fairly accurate conception of a mining man. He smokes a cigar about once a week and drinks very little liquor. But whenever the men of Noranda, or members of the Canadian hard-rock fraternity anywhere get together, someone usually manages to find a piano and one of the first songs to ring out goes like this:

"Old Bill Roscoe went up to Haileybury,
Old Bill Roscoe a drunken bum was he,
Old Bill Roscoe his nose is red as a cherry
All from drinking rickies up in Haileybury."

The loud, off-key voices are an affectionate tribute to a great Canadian miner.

THIS BUSINESS OF OLD AGE PENSIONS

Liberalizing the Government's Social Security program packs plenty of human — and political — appeal. Congress' voting record attests to this. It has liberalized Social Security laws every Congressional election year since 1948.

Pressures now building up indicate this election year may well continue the trend. More than 100 bills to expand the program in one way or another have been crammed into the legislative hopper. Some legislators—e.g. Senate Majority Leader Lyndon Johnson—want Social Security payments increased as part of the Government's anti-recession program. Former President Truman, testifying before the House Banking and Currency Committee on April 14, called for increased Social Security benefits as "one of the most desirable methods of expanding purchasing power". Administration officials have conceded that, if pressures in Congress grow, they may be forced to recommend a moderate liberalization "to head off far greater changes".

Changes proposed in the bills range from the comparatively mild to the radically different. One, for example, would slightly liberalize benefits to widows and dependents of disabled workers. At the other extreme is a plan to launch the Social Security system into the health field by providing payments for retired workers' surgery and hospital bills. To cover the cost of this, of course, Social Security taxes would have to be sharply increased.

The flood of proposed changes comes at a time when the present system is showing visible signs of financial strain. Social Security tax collections are running well below the amount of benefit payments, and the program is expected to show a deficit this year—something that wasn't supposed to happen for many years.

The Advisory Council on Social Security Financing, created by Congress in 1956 and made up of experts from industry, labor, and education, is due to report on the financial soundness of the present program by next January 1. It would seem worthwhile to get the results of their study before passing new laws.

The following table shows how federal pension outlays have swelled in the current fiscal year to more than $11 billion—as against only $1.7 billion in 1949:

FEDERAL PENSION OUTLAYS

(Fiscal Years—in Billions)

	1949 Actual	1958 Est.
Old age and survivors insurance	$ .6	$ 7.9
Disability Insurance		.2
Railroad Retirement	.2	.7
Civilian employees retirement	.2	.7
Veterans' Pensions	.4	1.0
Department of Defense—retired pay	.3	.6
	$ 1.7	$11.1

The Social Security program, as originally conceived, was supposed to provide protection against economic insecurity for the worker and his family when retirement or death cut off his earnings.

Thus, a "floor of protection" against want was placed under those who because of age could no longer support themselves. The program has unquestionably played an important role in helping to "prevent destitution in our national life", as President Eisenhower has put it.

No one begrudges a retired couple their tax-contributed income security. Indeed, this protection against want should be as broadly based as possible.

But it is quite another matter to expand the system so that it becomes a substitute for private savings, pension plans, and insurance rather than a foundation on which these other forms of protection can be soundly built. To do so would be to discourage individual work effort, planning, and thrift to the detriment of personal freedom and national economic progress.

—*The First National City Bank of New York, May 1958.*

ALBERTA:

WHAT MANAGEMENT SHOULD KNOW

What are the reasons for the fantastic growth of business and industry in Alberta during the last ten years? Why have hundreds of firms, both large and small, invested millions of dollars in this province? Will the Alberta boom continue? What special problems have to be faced by a businessman in the province? These are questions we asked Arthur Guttman, M.B.A. Western '55, editor of The Red Deer Advocate.

ARTHUR GUTTMAN

THE answers are not simple. But in general the mood in Alberta is one of optimism. The people, businessmen and government officials are all convinced that while the boom may not continue at the same rate as before, it is far from over. There is more to Alberta than oil and the Edmonton Eskimos.

In many ways the province is one of contrasts. Texas drawls in Calgary contrast with the French of several towns near Edmonton; the land itself changes from flat endless prairie on the east to towering mountain peaks in the west; the temperatures range from 45 below in winter in the north to 90 above in summer in the south; rapid expansion in many centres compares to a status quo in many others.

CHANGING ECONOMY

A contrast can also be drawn between the province's economy fifteen years ago and now. No longer is the province primarily dependent on farm products and the sale of grain abroad. The economy has settled on a much wider and firmer foundation. Oil, of course, played a big role in this diversification, but the economy is not dependent on oil either.

The large shift in the basic economy of the province can be checked by a glance at the change in the percentages of the total net value of production of the various components from 1946 to 1956. Agriculture in 1946 produced more than half the net value of the provinces' production, was only slightly over one quarter in 1956 and will decrease even more.

For many years the prairies were described as the bread-basket of the world. The economic vulnerability of this state was exposed between the wars and as a result prairie leaders have been determined to speed industrialization as rapidly as possible. Provincial governments have offered every encouragement and assistance to manufacturers and distributors to locate in the Prairies. The figures below indicate their success in Alberta during the ten years from 1946 to 1956.

GROWTH OF MANUFACTURING

According to the annual Review of Business Conditions in Alberta in 1957 the gross value of manufacturing in the province has increased from \$641,148,000 in 1955 to an estimated \$752,250,000 in 1957. Of this latter figure petroleum and coal products are valued at \$135,000,000. Farm cash income has been fairly steady during the last two years at a figure of approximately \$370,000,000. Mineral production is estimated very close to \$412 million while construction is around \$166 million.

During 1957 new manufacturing plants valued at close to \$70 million were completed and began production. Expansion of existing manufacturing facilities added another \$13 million to this figure and plans already announced for 1958 call for the expenditure of \$25 million. These new plants raised total value of manufactured products by \$50 million above previous records.

NET VALUE OF PRODUCTION — ALBERTA

	1946 $	1946 %	1956 $	1956 %
Agriculture	248,804,000	53.8	410,000,000	29.5
Mining (Oil)	47,634,000	10.3	330,000,000	23.7
Electric Power	9,011,000	2.0	30,000,000	2.2
Forestry	4,643,000	1.0	12,000,000	.9
Trapping	2,974,000	.6	2,000,000	.1
Fisheries	600,000	.1	1,000,000	.1
Manufacturing	83,735,000	18.1	280,000,000	20.1
Construction	65,000,000	14.1	325,000,000	23.4
	$462,401,000	100.0	$1,390,000,000	100.0

The availability of inexpensive natural gas is a big attraction for industrialists. Both major railway companies serve the province although most localities are served by only one railway. Electric power is supplied by private utility companies which produced 2.4 billion kilowatt-hours in 1957 compared to 2.025 billion kwh in 1956. Raw materials such as petroleum, coal, limestone, sulphur, salt, lumber, etc. are abundant. In the north, served by air freight from Edmonton, minerals are being found in large quantities. Power resources of oil, gas, hydro and coal are unlimited.

Sites for plants or warehouses are available and the provincial and local governments are attempting to attract new industries or businesses to the province in general and their localities in particular. They do not offer tax concessions to new industries, but according to Gordon Morris, secretary of the Industrial Development Board of the Alberta government, the Board will help companies interested in coming to Alberta in every possible way. Economic studies of every city and town in the province, and many of the villages, are being conducted on a continuous basis and the results published in special booklets which are available free of charge. "The Board will do everything except lend money and sell goods," Mr. Morris has stated.

A special marketing board buys materials in large quantities and sells them to companies as required, to give these companies the advantage of purchasing at bulk prices. On request the Industrial Development Board will make a survey for any company of similar products sold in the province, the amount of imports into the province and will determine where the imports come from. The Board is composed of representatives of cities and towns in Alberta and the members on request will look over proposals by a company and will recommend the most suitable locations.

POPULATION AND MARKETS

According to the 1956 federal census the population in the province was 1,123,000. Of these, 355,000 live within 100 miles of Calgary; 514,000 live within 100 miles of Edmonton; 88,000 within 50 miles of Lethbridge; 34,000 within 50 miles of Medicine Hat; and 689,000 within 100 miles of Red Deer, an area which includes both the cities of Calgary and Edmonton. According to estimates of the Alberta government, the population of the province will exceed two million by 1985.

During the past year the total volume of trade at the retail level exceeded $1,090,000,000—a rise of four and a half per cent over 1956. Wholesale trade statistics were up 2.2 per cent to nearly $796,000,000. Trade in grocery and combination stores increased by 10.5 per cent to $162,390,000. Sales by motor vehicle dealers rose by 5.2 per cent to $236,756,000, although most of this increase occurred during the buoyant early part of 1957 and slackened in the later months. The only major drop was in lumber and building materials, with volume down 10 per cent to $50,540,000. Albertans bought 41,400 new cars and trucks valued at $125,000,000 in 1957.

LABOUR AND WAGES

Alberta's labour is considered excellent. Workers are adaptable and many firms have found that the working force can be easily trained. In early 1958 there was a surplus of labour but the level of unemployment was lower than in other parts of the country, and it was expected that much of the surplus would disappear when spring construction got underway. Labour-management disputes are not too common in the province and Alberta has the lowest record of time lost through disputes in Canada. The labour force is considered mobile and many workers will move from place to place in order to obtain permanent jobs.

EMPLOYMENT AND AVERAGE WEEKLY WAGES IN ALBERTA

(as at October 1, 1957)

	Employees	Average Weekly Wages
Manufacturing	32,760	$69.93
Construction	24,025	78.43
Transportation and Communications	27,782	71.14
Trade	32,806	59.40
Finance, Insurance and Real Estate Service	10,363	41.72
Industrial Composite		70.43

Following the trend throughout Canada, the average weekly wages and salaries have increased in 1957 compared to 1956. The average for manufacturing companies was $69.93 per week in October while the average in the trade category was $59.40. The industrial composite average wage in the province was $70.43 on October 1, 1957 compared to $69.93 on the same date in 1956. Oil workers were the highest paid in Alberta, drawing an average of $97.63 per week. Employment in non-agricultural industries during 1957 showed a 4.3 per cent hike.

FINANCIAL FACILITIES

In the financial field Alberta has one institution existing nowhere else in Canada. This is the "Treasury Branch" of the provincial government which in most instances operates in exactly the same way as the chartered banks. All major banks in Canada have branches throughout the province. Investment per capita in Alberta is high. Although Alberta contains only seven per cent of the population of the nation, investment in the province was 13 per cent of the Canadian total in 1957.

Bank clearings in the province have continued to rise at a rapid rate. In Calgary, the major clearing house in the province, bank clearings rose from $4.3 billion in 1956 to $5.2 billion in 1957—an increase of 21 per cent. Edmonton at $2.3 billion was at approximately the same level while increases in other major centres during the year ranged from 5 per cent to 18 per cent. Life insurance sales at $279 million (11 months) were up 25 per cent compared to 1956.

HIGH INVESTMENT

Much of the investment in Alberta has been in the primary industries and construction industry. The percentage of the total investment in the province from 1948-1957 in this classification was 32.1 per cent compared to the national percentage of 15.5.

The per capita investment in Alberta for the period, based on 1957 population, was $6,545 compared to a Canadian average of $4,478.

TRANSPORT AND COMMUNICATIONS

Although the population is more scattered than in the provinces of Quebec and Ontario, a good system of roads connects the cities and towns of Alberta. The main arteries are paved and used by many truck transportation firms which operate on regular schedules which are fast and convenient. Air transportation to the north from Edmonton is also

PUBLIC AND PRIVATE INVESTMENT 1948-1957

(Capital, repair and maintenance expenditures)

	Alberta $	% of Total	Canada $	% of Total
Primary industries construction (inc. oil	2,434,800,0	32.1	11,546,000,000	15.5
Manufacturing	653,100,000	8.6	12,501,000,000	16.8
Utilities	1,248,200,000	16.4	15,972,000,000	21.5
Trade, Finance and Commercial services	484,200,000	6.4	5,649,000,000	7.6
Housing	1,111,100,000	14.6	11,873,000,000	16.0
Institutional services and government departments	1,496,000,000	19.7	12,110,000,000	16.3
TOTAL	7,592,400,000	100.0	74,288,000,000	100.0

widely used. In fact, Edmonton airport handles more freight than almost any other airport in the country.

Advertising in Alberta presents no major problems which are not encountered in other sections of Canada. Daily and weekly newspapers, radio stations, television stations and farm publications reach the population. There is one French-language radio station in Edmonton.

POLITICS, PEOPLE

Although the Social Credit party is associated in mind with money reform, etc., in practice it conducts the affairs of the province in a manner similar to other provincial governments. The civil service is capable and anxious to help.

Alberta is trying hard to increase manufacturing in the province. It feels the percentage of the provincial economy attributable to manufacturing must be increased in order to provide a stronger protection against the fluctuations of inflation and recession. It is for this reason that it is offering assistance to those interested in establishing within the borders of the province.

The people generally are conservative in nature. Concerned with the necessities of life but interested in the luxuries and pleasure, they are not different in this regard from other Canadians in other provinces.

As Professor B. A. Lindberg, former head of the School of Commerce, University of Alberta, recently stated, "Especially here in Alberta we realize we are living in a dynamic world; that we are living in a civilation in which business and farming go hand in hand."

(All statistics have been obtained from the Alberta Bureau of Statistics, the Dominion Bureau of Statistics and Alberta government publications.)

THE CANADIAN MONEY MARKET EXPERIMENT

When the new money market arrangements were first established, it was hoped that there would be a considerable widening of the market for Treasury bills in Canada, and, in fact, that has been achieved. Since the middle of 1954, when the day-to-day loan was introduced, the volume of Treasury bills outstanding has been increased about two and one half times. Moreover, the Canadian money market has already demonstrated its ability to function effectively under conditions of varying degrees of monetary tightness. In addition to their relations with the banks, the dealers have also built up connections with non-bank lenders (e.g. business corporations) and, in a number of instances, these, too, have provided important sources of funds with which to carry inventory. To some extent, it is true, these non-bank loans to the money market have had the effect of diverting funds from corporation deposits with the banks and this was encouraged by the somewhat inflexible rate structure that was formerly applied to such deposits. Ultimately, the banks were obliged to take defensive action and, after December 1955, they therefore geared their rates on special fixed deposits to the most recent average weekly Treasury bill tender rate.

Although the market has amply demonstrated its capacity to carry a larger volume of Treasury bills, there has more recently been a marked shift of emphasis in the distribution of Treasury bill holdings. In the earlier years, a significant proportion of the increase in the Treasury bill issue was absorbed by business corporations with surplus funds to invest. After March 1956, however, the demand from this source began to decline. This was no doubt mainly due to the tax advantage that corporations could obtain by placing their funds in short-term Government of Canada bonds rather than in Treasury bills. In addition, corporation treasurers also began to buy larger amounts of finance company paper as well as the notes of other corporations. Hence, more and more of the Treasury bills outstanding came to be held by the banking system.

The banks have latterly been using the Treasury bill market to quite a significant extent as an alternative to day-to-day loans whenever the demand for the latter has been inadequate to absorb the funds available, or rates have not been sufficiently attractive. As a corollary, the banks have been employing the services of the dealers to a greater extent than heretofore in obtaining the Treasury bills that they require for their portfolios. This would suggest that the main market for Treasury bills may come to depend primarily on a dealer-bank relationship, with business corporations supplying a larger proportion of the resources necessary to carry dealer inventories of bills and bonds.

The withdrawal of the chartered banks from the Treasury bill tender would be the means both of further increasing turnover and of building up the strength of the market. If the tender were confined to the Bank of Canada and the dealers, a proportion of the latter might be expected to become specialists in money market transactions and, in the course of time, to develop a higher level of expertise than they possess at present. This should lead if not to cheaper services (since the turn on Treasury bill transactions is already very small) at least to the provision of a wider range of facilities (e.g. in terms of the choice of available maturities), which at the moment the Bank of Canada helps to provide.

—J. S. G. Wilson

In the Banca Nazionale del Lavoro, Roma Quarterly Revue, March 1958.

Merchandising In a Small Town

Countless publications are available to aid the city businessman, but little has been written to guide the man with a retail store in a small community. Yet the small town merchants collectively transact a large share of the total business conducted in Canada. Some of their problems—no less important than those of the giant corporations for being on a smaller scale—are here discussed and answered. The author, a member of Western Business School staff, has spoken on this subject to several businessmen's groups in Ontario.

ANDREW GRINDLAY

Merchandising in a small community is fundamentally the same as merchandising in a large one. The subtle differences that do exist are largely because the small town businessman is frequently himself the manager, salesman, purchaser and bookkeeper, with perhaps one or two assistants. Thus he is not usually a specialist in any field but must have a good general grasp of business techniques. Like his counterpart in the city, he is in business to make the maximum profit, and the two basic methods of accomplishing this are increasing sales and reducing costs. Both will be discussed here under specific headings, though they may be indistinguishable in practice.

PURCHASING

Purchasing is one of the most important facets of business. The store in which the buying has been reduced to automatic re-ordering is probably stagnating. New lines are likely being overlooked and more than necessary being paid for the old ones.

When considering a new line of merchandise, the merchant should set down the relevant facts and figures. He should estimate the number of potential customers for the product in his buying area, and from this, the maximum sales possible. This figure, divided by the number of dealers handling the product, will give him a good idea of the expected profit.

A point to remember in purchase discounts is that they represent a substantial saving: a 1% discount for payment within ten days is the equivalent of 36½% per year.

The penalty for over-stocking on certain lines should be considered. The dealer in light bulbs, for example, is only lightly penalized—product changes are small and shelf life is long. Calendars, on the other hand, command a high penalty factor and extreme caution should be exercised when buying similar items.

The small businessman who finds himself spending too much time seeing all salesmen and making all buying decisions himself might pass some of this burden onto a senior clerk, whose new responsibility might be welcomed and produce greater efforts to sell all the merchandise he bought. Wholesalers' salesmen are an important part of the retailer's business and should be treated with respect, but the merchant is fully justified in limiting time spent with them strictly to the business in hand.

PRICING

Up-to-date catalogues of wholesale prices (including freight) are a necessity in any retail organization to check the suppliers invoices for accuracy and to aid in retail pricing, pricing inventory and buying.

For the sake of both customer and storekeeper, to give customers complete confidence in the merchant, there must be a stable price for all. Even the buyer given a five or ten per cent discount loses faith in the store, and will try to bargain on every purchase in the belief that the prices are too high in the first place. In most small organizations, if all prices were reduced by five per cent the net profit at the end of the year would be approaching nil. What may appear to be only a minor price reduction could easily touch off a price war causing losses to all stores concerned.

SALESMANSHIP

The myth that there is a limited amount of business available today is refuted by the announcement of the Dominion Bureau of Statistics that, on the average, savings deposits in Canadian banks are in excess of four hundred dollars per capita. Thus, in a town of 2,500 people there would be approximately two million dollars in spending power waiting for local merchants. With a fair price on merchandise and with a reasonable selling effort, the money will appear. There is plenty for everyone in most small communities today if the merchants will take the trouble to work for it. Instead of trying to take some of his competitor's business, the aggressive merchant will use salesmanship and get new business. An example of this technique is the old method of clearing slow-moving stock by taking advantage of the public's weakness for buying practically anything to get something for nothing: fastening several items together and putting on a special price.

The selling function involves three types of people. The order taker sits by the telephone and notes the order. The sales clerk meets customers in the store after they have decided to buy and helps them to select size and colour. But the man who can make or break a business, who creates the desire to buy, is the salesman. An organization filled with order takers and sales clerks can expect difficulty in getting sufficient business to flourish. If this is true, the fault lies with management for failing to teach its staff how to sell. A salesman is not born, but can be trained, and the store manager must lead the way.

The sales techniques of approaching the customer, interesting and informing him with the relevant facts, steering him into a receptive mood and making the sale, are based on the assumption that the staff all have complete product knowledge. Usually the proprietor of a store has a good knowledge of his merchandise but his staff display their lack of interest in their lack of information. They cannot hope to rise above the clerk level if they do not learn how their products are made, where they originate, performance tests and so on. It is the proprietor's responsibility to encourage them to learn and to provide the means for them to do so. In this respect the suppliers' salesmen are usually happy to instruct sales staff about products and can provide literature if requested. In addition, employees should understand that their personal success depends to a very large extent on their product knowledge. In many areas, evening courses are conducted periodically on salesmanship and are usually worthwhile for the staff of a retail merchant.

Perhaps the most important aspect of salesmanship is "enthusiasm". If the store manager is not enthusiastic, his attitude will be communicated to the staff and their lethargy is transmitted to the customers. A cheerful greeting from the sales staff for each customer will let him know that they are glad he came in, and it is true that people will spend almost twice as much when they are happy as when they are unhappy. There are, therefore, distinct advantages in communicating a cheerful atmosphere when they enter the store.

SERVICE

Service, which can be an integral part of salesmanship, to a businessman frequently means being ready to pounce on a customer the minute he enters the store. But service means helpfulness — doing things to make the customer want to return. It means doing a number of small, unrequested things such as pressing a man's coat while he tries on suits, sweeping out his car while he buys gasoline, helping him on with his coat after a meal in a restaurant. Another service that people appreciate is a telephone call when new merchandise arrives. They like to be told about new styles and colours and to have their opinions solicited.

PERSONNEL

All store employees, whether one or a dozen, must be fully aware of what the business is trying to accomplish. They must understand the profit motive and have some idea of what it costs to do business. They probably have a good idea of the wholesale merchandise prices, and may even think that the retailer's profit is exorbitant. If they do not understand what the store owner is trying to accomplish, it is futile for him to try to encourage them to be enthusiastic or to use salesmanship.

If staff turnover is a problem, if it is difficult to hold good people without paying unreasonable wages, perhaps insufficient thought is being given to what they really want out of life. Employees tend to look to their bosses for guidance and leadership in

their personal lives and expect that an interest be taken in their affairs. To everyone, feeling important is a vital need and, if neglected, can result in discontent. If an increase in salary is to be awarded to an employee, it should be done at a time which will result in the most benefit to the company through that employee. It should be made to appear as a reward for progress or for completing a big sale, or the adept handling of an irate customer. Sincere appreciation is important—it costs nothing but it can do wonders.

ADVERTISING

Advertising is one of the greatest business conundrums in all companies, large and small. All the giant corporations know definitely about advertising is that if they stop it they lose business. No-one has yet devised a formula to tell how much should be spent on advertising. If the small businessman is confused about advertising, he is not alone.

These three guide-posts may help answer the problem when to advertise:

1. Advertise a product or service that will surge ahead in sales if the public is advised of it. Or, put another way, products that could not result in volume sales should not be advertised.

2. Do not go against a trend. Advertising can seldom reverse it.

3. Advertising is not a panacea. It will not compensate for faults in product policy, pricing policy and sales staff. All these factors must be right or the advertising money is wasted. A merchant would presumably not invite guests into his home if it were dirty and his family impolite; he should not invite the public into his store if it is in similar condition.

The "how" of advertising is not quite so simple but it is not so formidable as to be frightening.

In planning advertising, employes may be consulted to help determine probable public reaction. In making a media decision, facts and figures on paper are helpful. The advertising salesman can provide a cost per reader for his services, and an estimate of the percentage of readers who are potential customers will reduce all media costs to costs per prospective customer.

Surveying the media familiar to small traders, the advertising value of space in the local school paper that reads "Compliments of Jones Drug Store" is questionable, and perhaps should be charged as a donation. Name advertising for a small business is practically worthless. It is preferable to use the school paper and church programme to explain a new product or coming style. With good taste it can preserve the dignity of the function.

The advertising value of the proprietor's picture in an advertisement also is questionable. A picture of the senior clerk would be better but the benefit would accrue largely from the feeling of importance it gave him. On the positive side, it is suggested that in laying out an advertisement, the appeals or selling features of the product be used. The headline, in fairly large type, should attract the reader's attention, and the company signature at the bottom should have the same boldness, and "selling" copy should be in smaller type in between. For prestige goods of high price, the lavish use of white space in an advertisement creates the feeling of luxury in the mind of the reader.

In direct mail advertising, the first requirement for its profitable use is that the market be selective—above all, direct mail advertising is a selective medium. Chewing gum, patent medicines and soft drinks, for example, may be advertised best by mass media because they are bought by everyone. But a selling message for products sold to a select percentage of the buying public can reach potential customers most efficiently by direct mail.

Advertising should be accompanied by in-the-store promotion such as point of purchase displays and large lapel buttons for the staff. Displays should be changed frequently to maintain interest and this applies equally to window space. People strolling in the evenings have a habit of gazing in store windows, particularly in small communities. A dusty window display can drive away more customers than it attracts, so displays should be clean, neat, well lighted, uncluttered and frost-free in winter.

BOOKKEEPING

To some storekeepers, bookkeeping is an unpleasant chore that must be done for income tax purposes. If it were not for tax regulations, some merchants would dispense with books entirely. Kept up to date and used properly, the books can be valuable tools to help detect trouble spots. There is a limit, of course, to the time and money that can be sensibly spent on the books but an income statement and balance sheet should be prepared at least twice a year and preferably monthly. The greater the number of items carried, the more difficult it is to get accurate inventory figures from which to make up financial statements. But the added incentive of getting the stock dusted off and straightened up should help in efforts to determine the status of the business at least more than once a year.

Once the statements have been prepared, how can the information they reveal be used? Most firms analyze the accounts receivable regularly to determine which are up to date, which are overdue and by how much. Accounts payable too should be analyzed regularly to ensure that the merchants credit-rating is not being jeopardized.

Sales invoices and purchase invoices are precious and should be guarded against loss and fire as money is protected. A fireproof vault of some kind to protect these documents is a necessity for all businesses.

After the financial statements are prepared, what should the merchant do with them? If his volume of business is about the same year after year, it is fairly easy to compare sales, profit, inventory and accounts with the previous year and get a fairly good idea of how things are going. However, if the business is expanding—increasing sales and taking on new lines—a comparison of the figures on the financial statements might not reveal much. A comparison of percentages will show more. Comparison of the percentage of net profit to total sales will indicate if the profitability of the merchandise is changing. A comparison of the cost of goods sold will indicate if the profit taken has increased as rapidly as the suppliers' has. Comparing inventory to sales percentage is a convenient way to determine if relatively more or less merchandise is being carried. Another interesting figure is the ratio of net profit to total assets. If this figure is below three per cent, perhaps it would be more profitable to dispose of the business and buy Government Bonds.

Sometimes when a merchant is on his own, the temptation to beat the income tax collector becomes too strong and sales are made but not recorded. This practice, apart from being dishonest, can render the financial statements useless for analysis, and can expose the merchant to the risk of having his premises scrutinised by government accountants if suspicions are aroused.

One of the dangers of a neat bookkeeping system is the tendency to let the system run the business. If the system delays delivery of merchandise or inconveniences customers in other ways, it should be changed.

CREDIT

Credit has become the modern buying method, and unpleasant as long lists of accounts are, it must be accepted that it is increasingly difficult to get cash. The passing of the "all cash" day should not be bemoined too much, since the average Canadian has been estimated to spend fifteen per cent more if he is buying on time.

How much credit he will grant is entirely up to each individual proprietor, but regardless of this, he must know exactly when each account will be paid. Payment dates should be noted on a calendar so that they cannot escape attention and if one is missed, the customer should be contacted to arrange a new date. A businessman is not doing a customer a favour by letting his account drag; the longer he takes to pay it, the more the client will dislike paying it. If all the time spent trying to collect delinquent accounts were used to develop new cash business, it would probably become obvious that it is profitable to grant credit only to the very top risks.

PERSONAL HABITS

Most businessmen complain bitterly that they are overworked and do not have time to do all the things they would like to do, such as arranging special promotions, re-arranging their stock and instructing their staff. A partial solution may be to do a personal time study of some typical day to find out where the time goes. At the end of the day, a list of every activity and the time taken to perform it will reveal countless places where time could have been saved.

The coffee break, a great time waster, can be used productively by inviting a different customer each day to join in, and thus create an opportunity to maintain a social contact with the customers. Another possibility is to invite staff and customers to have coffee together, and in this way the staff have an excellent chance to get to know the customer better.

Regardless of the size of their operation, businessmen can gain considerably by subscribing to some business publications in addition to trade magazines. A financial newspaper can help to predict chortages, surpluses and price changes. An investment club is another excellent way of learning more about business, particularly finance and investment.

The businessmen is considered one of the leaders of his community and therefore must look and act as a man capable of assuming responsibility and providing leadership. He must instil the confidence that makes the citizens want to do business with him. He must be known to his customers as a man who is absolutely honest in all his dealings.

If a storekeeper knows his merchandise, takes a sincere interest in the people in his town and makes it easy for the customer to buy, he should have no trouble in stimulating business. Even today, when the trend is popularly thought to be towards a greater concentration and amalgamation of business, the small trader still has a very large share of the retail market in Canada.

The BILLION DOLLAR Question

Did you know:

That 11% of Canadian college-age youth go on to college or university, compared with 30% of the same age group in the United States?

That the projected enrolment for Canadian universities in fifteen years' time is more than three times the present total?

That although the "market price" for brand new Ph.D.'s in Canada is $8,500, the national average for full Professors is $7,500?

That in recent years Canada has obtained more professional engineers through immigration than it has through its own universities?

That $285 millions are needed to provide facilities for the additional 58,000 students who, it is estimated, will be in our universities by 1965?

These are a few of the thousands of facts which Mr. Woodside unearthed in his survey of our universities.[1] Paul Roddick discusses some of their implications in this review article.

PAUL RODDICK

WILLSON WOODSIDE prefaces *"The University Question"* as follows:

"I have written this book for the simple reason that it didn't exist and it seemed to be needed. When I went to the library one day early last year to look into the problems of university expansion I discovered that there was no collected material available. If the head of one of those large corporations to which university presidents were beginning to appeal insistently for aid were to decide that he ought to 'do something about it' and wanted to know what the situation was, it appeared that he would have to set one of his bright young assistants to work collecting information from all of the universities and making a comprehensive report.

"A large industry might find this worthwhile, and justify the effort. But it seemed to me that, if the vast university expansion which was being called for was to be carried out, a great many other people, the enlightened public who would have to press the issue and the government officials and private donors who would have to provide the funds, would want to know the overall picture."

[1] *The University Question: Who Should Go? Who Should Pay?* By Willson Woodside. Ryerson Press, Toronto. 1958. pp. xv, 199 (including 30 pages of statistical appendices).

You don't have to scratch an adult Canadian very deeply to find a expert on what is wrong with Canadian education. And, I suppose, if ten to twenty years' experience qualifies one to speak as an expert, then most Canadians have some claim to the title.

The trouble is, of course, that while as graduates of one or two institutions most of us know what we are talking about in particular, this knowledge has only limited general applicability. Our views on education are as qualified by our own personal experiences as our views on parenthood. We cannot see the forest for the trees.

This state of affairs is perhaps most evident in the realms of "higher" education. Because our universities are less responsive to the heavy hand of "system" than our public and high schools, they are variable not only as between one and another, but from faculty to faculty, and perhaps especially from professor to professor. In the final analysis, the character of a university education is dependent upon the nature of the curriculum of studies and the calibre of individual professors. As a result, the opinion of every graduate is profoundly conditioned by his individual experience with these two basic factors. The "expert" knowledge of the man who has been through the mill has a very narrow foundation.

There is another group of "experts" on education—those who dispense it. In the realms of higher education, these are the professors and the university administrators. As might be expected, each of the experts in this class has an inclination to make over our higher educational processes in terms of his own particular image of what a university should be. This was Professor Neatby's aim in her controversial book, "So Little For The Mind", and although many Canadians were as disturbed as Miss Neatby about many aspects of our educational process, they were equally disturbed at the very narrow concept of education which emerged from her analysis. However admirable this "intellectual" approach to education might be within the limited context of Miss Neatby's interests, many readers were not convinced that its design would meet the broad needs of the community as a whole.

NEED FOR GRADUATES

Finally, there is a class of expert whose survival needs can be met only by an adequate supply of properly educated individuals. We all require the services of dentists, doctors, teachers, nurses, etc., and these needs make experts of us all. We know when those who provide us with essential personal services are in short supply; we often know the difference between those who are capable and those who are not. But how do we put all this expert knowledge to work? It seems obvious that we are not going to solve this particular problem as individuals. Our individual salvation, in this area of higher education, depends upon our capacity for collective action.

Industry, commerce and public service too require highly trained persons for their survival. The experts in these institutions are those who guide their destinies and control their disbursements. Like the rest of us, the presidents of large corporations are experts in defining their problem, but what can they contribute to a valid solution? They have the capacity to act individually, or to take collective measures. In either case, intelligent decision as a basis for intelligent action depends upon an understanding of the problem.

What all these experts have lacked to date is a comprehensive statement of the problem as it exists. The advent of Sputnik and its reflections on the capacity and calibre of North American educational institutions has raised a lot of dust in the past few months. Much of this dust is American in origin and American by nature. When it settles on this side of the boundary it often obscures as much as it enlightens, for it arises out of American practices and problems which, in many important respects, bear only a limited relationship to our own.[2] It therefore constitutes a vital step forward when the facts of the Canadian problem, as they concern, and must concern, each group of the experts which I have identified, are unearted in a thoroughly scholarly manner, set down without bias, and developed in language which illuminates rather than obscures.[3]

Willson Woodside's timely book, *The University Question — Who Should Go? Who Should Pay?* — is an eye-opener for experts of all kinds. No Canadian, however well placed or well informed, has previously had access to the range of facts about our universities and Canadian higher education which Woodside has unearthed and laid out in the sun for all to see and ponder who are willing to accept their share of responsibility for an adequate flow of graduates from our institutions of higher learning.

[2] A recent issue of the publication of the Alumni Association of the University of Saskatchewan—*The Green and White*—presented a comprehensive and illuminating report on the American educational problem. As useful and enlightening as this was, a comparable discussion of our own problems might be more to the point.

[3] In many respects *The University Question* is an eloquent tribute to our existing educational process. Its author graduated in Mechanical Engineering from the University of Toronto in 1929. During the next thirty years, via radio, a magazine column and television, Canadians have looked to him for an intelligent analysis of World Affairs. Now, moved primarily by an interest in the educational future of his own children, he demonstrates a high level of competence in an essentially different area of human knowledge. It is this capacity for intelligent interest, observation and analysis in widely separated fields of human endeavour which has always marked the educated man.

NATURE OF THE PROBLEM

What is the problem which we all must face?

Woodside has answered this question in several ways. The first need, he feels, is for an adequate comprehension of the real nature of the problem; the primary purpose of his book is to provide assistance in its definition.

Second, he believes that Canadians and their universities are interdependent, that they have common problems which they can only resolve if they will work at them together.

> "Industry and the universities need each other, but industry needs the universities more than the universities need industry. The universities get much practical help from businessmen, and value the industrial world as an indispensable laboratory for many of their professional and technical courses. But what they mainly want from industry is money, and they could get along without that—as they have been doing, by and large, until quite recently—by simply not expanding their institutions to turn out more graduates.
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> "Most university presidents would be happy not to have to carry out an arduous expansion programme; they could continue as at present, drawing an ever-increasing share of their financial support from government. But they are men with a strong sense of public responsibility; they are prepared to expand, and they will welcome industry's contributions to this end, to partially balance those from government and strengthen their independence.
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> "Industry's need of the universities is of quite a different order. It expects from them a general support of the free order under which it has prospered. But, most urgently, it wants from them highly-trained people whom it can obtain nowhere else. If it cannot get enough of these it is no exaggeration to say that industry will have to develop institutes or colleges of its own, just as it has established its own research laboratories."

COST TO THE COMMUNITY

Finally, as the above quotation indicates, the author believes that no solution can be considered independently of the price-tag that goes with it. The price-tag has two indices, first the cost to the institution of each individual graduate, and second, the proportion of our income which as Canadians we are prepared to invest in higher education. The Conference of Canadian Universities in 1954 estimated the first figure at an average of $1100 per year per full-time student. The proportion of this sum paid by the individual student averaged 30%. This leaves $700 per student per year to be met by the community. If we take the 1956-57 figures for student enrolment — 61,346 — and multiply by $770, the current total bill to the community is just over $47 millions, or about $3 for every individual Canadian. This compares with an annual per capita expenditure of about $1.50 towards the Colombo Plan and $20 for family allowances. Is this $3 per capita expenditure as much as we are prepared to contribute to the support of higher education out of the community pocket book?

Perhaps the most demanding aspect of this problem is the growth rate which must be met if we are even to hold our own. Noting the current American pattern, Woodside comments:

> "The great question is, how rapidly will this influence make itself felt in our country? iWth continued prosperity and development the proportion of our youth going to college could conceivably set off in hot pursuit of the American figure. This figure was 3% as far back as 1890 and took thirty years to climb to 8%. It then houbled in the 'twenties and doubled again between 1930 and 1950. The Canadian percentage only started to move in 1945, and it started then at the American level of a half-entury before. By 1956 our figure had not quite reached the American level of 1920, but the pace was accelerating. Will it continue to do so? Is Dr. Sheffield[4] under-estimating the strength of this trend in predicting that between 9 and 11% of the college-age group will seek to go to university in 1965, and betwen 11 and 14% in 1975? He himself has suggested this possibility."

Nor is this just a matter of increased prosperity providing more leisure for higher education. Our need for university-trained people is greater than it has ever been. The competition amongst industry, commerce and public service for university graduates —and sometimes for university professors—has become so keen that the effect is almost to kill the goose that lays the golden eggs. Some of the money which has diverted capable graduates from staff positions in the universities to the laboratories and administrative staffs of large corporations must be channelled back to the universities for staff purposes if these same corporations are going to continue to get the trained people they need.

[4]Report of Dr. E. F. Sheffield of the Education Division of the Dominion Bureau of Statistics to the Annual Conference of the N.C.C.U., 1955.

INCREASING STAFF AND SALARIES

Woodside's chapter on the problem of staffing our universities leaves one amazed at their capacity to carry on, much less expand. The principle that a professor must be a dedicated man has been exploited to the point where the maintenance of his self-respect must, in many cases, have degenerated into a desperate struggle for survival. Starting salaries for Lecturers (1957-58) vary from a low of $2500 at Acadia to a high of $4500 at the University of Saskatchewan. By some miraculous process, these salaries are supposed to attract top quality students after six (often eight) years of university study. Most of them will have a family under way, a home to establish, and frequently loans to repay. How dedicated can they get?

The Canadian Association of University Teachers (C.A.U.T) recommends the following salary scale:

Rank	*Salary*
Lecturer	$ 6,000
Assistant Professor	8,000
Associate Professor	11,000
Professor	14,000

This compares with the following national average, 1957-58:

Rank	*Salary*
Lecturer	$ 3,850
Assistant Professor	4,881
Associate Professor	6,197
Professor	7,526

It must be remembered too that these latter figures include part of the whopping 50% increase announced by the University of Toronto in 1957, an increase which in three years will bring the University of Toronto salaries to a level almost double the present national average. The effect of this dramatic action by the U. of T., however praiseworthy and necessary from the point of view of that institution, will undoubtedly intensify the staffing problem for the rest of the Canadian universities.

With the many other burdens which fall upon a university budget, few university administrators will ever have the courage to pay their staff what they are worth. This is surely a challenge which can best be met by contributions with a "staff" label on them. The dedication of university teachers must not be allowed to compensate for a lack of dedication on the part of the rest of the community from which every university must purchase its daily needs. In any event, there is simply not enough dedication to go around.

WHO SHOULD GO?

There is not space in this article to consider Mr. Woodside's discussion on the "who should go" side of the problem. This is a question of primary interest to the universities themselves, and to all parents who must weigh the value of a university education against the capacity of their children to profit from it, and their own financial ability to foot the bills. (Canadian average—$750 per year for a student living at home and $1250 for the student away from home.)

The possibility of meeting the "who should go" problem by the development of intermediate institutions, such as junior colleges and technical institutes, is thoroughly explored. For my own part I found I had previously oversimplified this problem in my own mind, and while I would still conclude that this is one of the solutions which must begin to take shape immediately, the development of these institutions in such a way that they will complement rather than conflict with our existing educational processes is a very challenging one indeed.

In conclusion, there are two general points which should be made with respect to the book and its subject.

The detailed statistical appendices which follow almost every chapter in the book will do much to bring this subject out of the realm of uninformed speculation into an area where decisions can be made directly on the basis of facts. This book is not important for its opinions. In fact, it is amazing how few "opinions" there are in it. This is just as well, for the opinions that will count in the long run are the opinions of the various interested parties which I have enumerated. These people can be genuine experts now, and their opinions be informed opinions, if they will take the trouble to read the book.

Finally, this is the second book in a series; unfortunately the first book may never be written. At least, it will probably not be written in time to help us think through the problem confronting us now. As one reads this survey of Canadian education at the university level, it becomes increasingly apparent that the edifice of higher education is no more stable than the public and high school foundations upon which it is built. The increasingly national character of our universities has done much to foster the development of common, reliable standards of education

at this level. On the other hand, provincial responsibility for education in our schools has created ten educational empires with their separate kings and their separate constitutions. Until some capable Canadian (another good job for Woodside!) digs some of the earth away from these foundations of our educational process, and subjects these several empires to a thorough comparative analysis from a national point of view, many of the solutions to the university problem will be partial and inadequate.

FRANK'S SOLUTION TO SETBACK

Between 1937 and 1956, world gold reserves rose by no more than one-half ($12.4 billions), and about three-quarters of the increase accrued to the monetary gold stock of the United States. If the world had to rely exclusively upon gold we should have had a shortage of international reserves for many years past, because of the universal rise in costs and prices that took place during the war. The important thing that has happened is an enormous increase, from $2 billions to over $23 billions, in exchange reserves other than gold. In this movement the chief elements have been an accumulation of short-term U.S. dollar assets by the outside world to a total of some $15 billions, the mutual extensions of credit by the members of the Bretton Woods system in the form of the International Monetary Fund quotas and, of course, the growth of sterling balances.

In spite of this, the growth of international reserves (since 1937 little more than doubled) has lagged well behind the growth in the money value of world trade (since 1937 nearly quadrupled). Admittedly, this is only another way of saying that the existing reserves have sufficed hitherto to finance an almost continuous expansion in world trade on a rising price level. But the question is whether they are now spread so thinly over the system as a whole that shortage of reserves might aggravate other deflationary tendencies, if these were to accumulate, and a minor recession be magnified into something more. . . .

In a recent speech, Vice-President Nixon spoke eloquently of the need for a spectacular increase in the outflow of American capital, especially to the developing nations of the world, and set before the American people as a reasonable goal the doubling or trebling of American investment abroad in the next ten years. It is true that the Vice-President was thinking primarily of private investment. But, as we have seen, the rebuilding of the sterling reserves stands in direct competition with rapid development in the countries of the sterling area. It may be, therefore, that a stabilization loan for sterling could provide an indirect yet most fruitful means of achieving the ultimate aims he had in mind.

On the other hand, it might be more suitable that an operation of this kind should take an international rather than a national form. In that case, the International Monetary Fund would be the obvious instrument. At present, the credit-creating powers of that institution are rigidly limited by the size of quotas; nor would an all-round increase in quotas be a suitable remedy for the situation we have in mind. There might be general advantage for the world, however, if the Fund could move in the direction of becoming a super-central bank. This implies that the controllers of the Fund should be permitted greater discretion in their operations than is accorded under the present articles. Secondly, it means that countries should be prepared to deposit exchange reserves with the Fund and treat the Fund's certificates of indebtedness as exchange reserves, in the same way that some European countries already treat as part of their exchange reserves their stake in the European Payments Union. By these means it would be possible to expand world exchange reserves on the basis of the existing gold supply, while channelling the additional credit in those directions where it would do most good. And, it may be added, this would be a logical extension of the process of creating "man-made" exchange reserves that has done so much to preserve an expansionary climate for world trade since the war.

—*Right Hon. Sir Oliver Franks, speaking as Chairman, Lloyds Bank.*

Management Problems of

A FOREIGN SUBSIDIARY

One of Canada's current problems is to increase exports, partly to increase employment, partly to bridge our own peculiar "U.S. dollar gap". Management policy in many foreign subsidiaries, however, prevents their entering the export market aggressively. This is particularly the problem when the parent organization has an international export division. What should Joe McCarthy do? The following is a case to provoke discussion and, we hope, constructive criticism, leading to successful solutions.

In the fall of 1957, Joe McCarthy had been for three years assistant to the export manager of Coleman Lamp and Stove Company in Toronto where he had gained extensive knowledge of exporting from Canada, experience of the administration of overseas representatives through constant foreign travel by head office personnel and detailed familiarity with export documentation difficulties. However, late in 1957 he was atracted by an advertisement in the Financial Post offering a position as export manager, and after several interviews was appointed the new export manager at the Canadian headquarters, Eaton Street, Toronto, of the Goodstone Rubber Company of Canada, Canadian subsidiary of Goodstone Tire and Rubber Corporation Inc., of Akron, Ohio.

His was a new job formerly half-done by an export correspondence officer whose primary responsibility had been to refer export orders to the Goodstone International Export Corporation, another of the many subsidiaries of the U.S. parent company. The first day of his new appointment he had been given verbal instructions by George Browning, President of the Canadian subsidiary, (and also Vice-President and director of the U. S. parent company) to increase exports from the Canadian subsidiary but to co-ordinate his efforts with those of the Goodstone International Export Corp. of Akron. He had yet to meet Sam Weinstein, Vice-President at the head of this U. S. subsidiary, but felt that there was plenty for him to do in Toronto before visiting Akron.

Amongst the papers waiting on his desk for his attention was a questionnaire from the Canadian Government's Department of Trade and Commerce. From his experience at Coleman Lamp, he knew that this questionnaire was sent to all Canadian manufacturers interested in export business and that on the basis on the replies they sent in, manufacturers' names were included in an Exporters' Directory used by Canadian Commercial Counsellors, Secretaries and Trade Commissioners throughout the world. It could, therefore, be a valuable source of obtaining export orders from overseas with no advertising or other costs.

FILLING IN FORM "A"

Joe McCarthy found no difficulty filling in the first question which asked the name and address of his firm.

The second question asked for the names of the executive officers. He listed the President, Vice-President and Secretary-Treasurer, Vice-President in Charge of Sales, and Vice-President in Charge of Production. They were all American. He also listed his own name as export manager and the officer completing the questionnaire. Questions about the banks used by the Company, the factories and mills in Canada, were easy for him to answer because his secretary had filled in the form the previous year for the export correspondence officer.

Question 5 was as follows: "If your company is a *subsidiary* of an organization with head office outside Canada, please complete the following questions:

(a) Name and address of parent company;

(b) Is it necessary for your organization to refer export inquiries to the head office or other branches of the parent organization outside Canada?

(c) Please name the territories from which you are excluded under the policy of your parent organization;

(d) What other controls does the parent company exercise over your export business?"

Joe McCarthy asked his secretary to check what answers had previously been inserted. They were:

(a) Goodstone Tire and Rubber Corporation, Akron, Ohio;

(b) Yes;

(c) No information available;

(d) All appointments and orders are arranged through the parent company's Export Corporation.

Joe McCarthy felt that to fill in the form again in this way might well prejudice Canadian overseas representatives against directing orders to his Company. Their job was to encourage Canadian exports. Obviously there was no guarantee that export orders received by the Canadian subsidiary and referred to Goodstone International Export Corporation in Akron would not be diverted to one of the American factories rather than referred back to the Canadian factory in Toronto. He had no knowledge, nor had any of his colleagues in Toronto, on what basis the export orders originating in Canada were allocated by the Export Division in Akron.

Leaving section 5 unanswered for the time being, he looked down the further questions.

"6" —Please list the Canadian made products which you have for export.

"7(a)"—List countries to which you now export, including U. S. A.

"7(b)"—List countries to which you desire to export.

"8(b)"—Please list the names and addresses of your agents or representatives abroad.

"9" —In which languages other than English or French are you prepared to conduct business?

"10" —Remarks.

Again he looked at his predecessor's answers.

"6" —Tires and tubes for motor vehicles, trucks and airplanes.

"7(a)"—United States, Ecuador, Panama, British West Indies, Paraguay.

"7(b)"—Not applicable.

"8(b)"—No information available.

"9" —Spanish.

"10" —Nil.

McCarthy felt that his appointment as export manager must have implied a change of export policy, but George Browning had not mentioned this.

CANADIAN PRODUCTION FACILITIES

The Goodstone Rubber Corporation of Canada operated a plant at Toronto with a capacity for 1,200 tires a day. Until early in 1956 it had also manufactured rubber footwear but manufacture had then discontinued although sales were continued through purchase of supplies from a Quebec manufacturer under a two-year contract. Owing to competition from cheaper rubber footwear made in Hong Kong and Czechoslovakia, it was unlikely that this footwear operation would continue; because these products were no longer priced competitively, the company could not even take advantage of its right to export to Britain under the Token Imports Scheme. But industrial hose and belting and a complete line of industrial rubber products including garden hose and automotive supplies and accessories were being increasingly manufactured in Toronto.

In addition, a textile plant producing tire fabric and cord was operated at Brantford. Company policy seemed ridiculous to him. For instance, if you asked for a 8.25 size truck tire, they would ask you which of 20 kinds you wanted. There were 4-ply, 6-ply, treads for gravel roads, city driving, country driving, light, medium and heavy loads. All these were carried in stock. If Firestone or one of the other companies came out with "a new tread which stops faster", all the other companies jumped in with similar treads and there was a whole new line of tires. Whenever a new type of rubber came on the market, another new line started. "It seems to me the sales department operates on a gimmick basis without any regard for the production department."

The Canadian subsidiary manufactured short runs of a wider range of tire sizes and shapes than did any of the five U. S. plants of the parent organization. It was thus able to obtain, occasionally, export orders from the parent organization to supply certain uncommon sizes and patterns. The Canadian plant in Toronto had the advantages of cheap raw materials obtainable from Polymer in Sarnia, its wage scales were lower than American; and its overhead charges for research and advertising were negligible compared with those charged in Akron. As a result, however, of its wide range of products and consequent short runs, its costs did not in general compare favourably with those in the U. S. plants. Consequently, the Export Corporation had in the past tended to divert to American, rather than to the Canadian subsidiary, all export orders.

ADVANTAGES OF EXPORTING FROM THE CANADIAN SUBSIDIARY

Joe McCarthy had been urged by the President of the Canadian subsidiary to increase exports: he had been assured that it was the overall policy of the corporation for each subsidiary to be free to compete with other subsidiaries "like it is at General Motors"; we think competition even amongst ourselves keeps everybody "on his toes". He had been told that this was the reason for his appointment and that the continuation of his job depended upon his success.

He knew that there were certain advantages which could be gained from exporting direct from Canada and he wondered whether his predecessor or the International Export Corporation at Akron were aware of these. While with Coleman, he had helped in a careful costing of the company's Toronto Export Office. Anticipating an early visit to Akron to discuss export problems with Sam Weinstein of the International Export Corporation, he jotted down the following points justifying his appointment as export manager in Canada and the expansion of exports from Canada:

(1) The possibility of achieving in Canada lower production costs through longer runs;

(2) Lower staff salaries and office rentals in Toronto than Akron; (although admittedly higher than the United Kingdom and Germany).

(3) Free listing in the Canadian Government's Department of Trade and Commerce Exporters' Directory;

(4) Free services of Canadian Government's overseas representatives;

(5) Cheap insurance through Export Credits Insurance Corporation;

(6) Government purchases by Department of National Defence, etc., and exports under the Colombo Plan;

(7) Longer than normal banking credit from the Industrial Development Bank;

(8) Market preference for Canadian products;

(9) British preferential tariff in British Commonwealth countries;
(10) The wider range of sizes and products offered by the Canadian corporation and dealers' preference of receiving all supplies from one source;
(11) Easy shipment via the St. Lawrence Seaway.

THE GOODSTONE INTERNATIONAL EXPORT CORPORATION

He realized that high transportation costs ruled out many areas as possible markets. The nature of a tire involved transporting air which costs money. This was one of the reasons The Goodstone Tire and Rubber Corporation Inc. had set up subsidiary manufacturing plants in Brazil, Britain, Germany and South Africa; and he believed that it was because areas of the world had been carefully allocated to these manufacturing subsidiaries that exports were carefully controlled and co-ordinated by the International Export Corporation at Akron. There was no record of any areas specifically allocated to Canada. Despite these obvious limitations to the expansion of exports from the Canadian subsidiary in Toronto, however, Joe McCarthy felt that he had a strong case on which to base a successful request to the Vice-President of the International Export Corporation for a greater share of the export orders which poured in from all countries as a result of the advertising done by the Export Corporation.

At Coleman Lamp, Joe McCarthy had been accustomed to having his own company's representatives in each country; all Goodstone Rubber of Canada representatives were, in fact, representatives of the Export Corporation and they never had any contact with the Canadian or other manufacturing subsidiaries. His secretary informed him that neither Sam Weinstein nor any of his staff, to her knowledge, had ever visited the Canadian Corporation. They regarded their job as selling overseas and travelled extensively and frequently round the world, calling on representatives and appointing new ones whenever necessary.

Also waiting in his incoming basket underneath Form "A" was the following letter from Sam Weinstein:

Akron, Ohio,
December, 1957.

Dear Mr. McCarthy:

Welcome to our Goodstone Empire! George Browning told me at our last Board Meeting here in Akron that you were joining us to help push exports. This is excellent news and we welcome someone in Toronto who will always have close to his heart the interests of the International Export Corporation, which, as you know, co-ordinates and documents all the exports from all the various Goodstone companies.

By concentrating our effort and co-ordinating our advertising in this way, we have been able to cut costs and increase sales considerably. Furthermore, we have been ordering more and more from Toronto as the following figures show:

1946	$668,000	1954	$1,600,000
1949	$600,000	1955	$1,500,000
1952	$800,000	1956	$1,550,000

Like everyone else, this international corporation has to show a profit and to meet the increasing competition in the tire market overseas we need both lower prices and more advertising. As you know, company policy is to purchase wherever the lowest price is quoted, whether inside or outside the corporation, and to get a 1% contribution from subsidiaries towards our advertising and other costs in proportion to their exports.

I am leaving at once for a four months tour of our representatives in South America, New Zealand and Australia, and look forward to meeting you on my return after Easter.

With best wishes,

Your very sincerely,
Sam Weinstein,
Vice-President and General Manager,
Goodstone International Export Corp.

Joe McCarthy found that no detailed figures of exports by Goodstone International Export Corporation were available in Toronto. The last annual report of Goodstone Tire and Rubber Corporation for the year 1956 referred to an 11% increase in exports and substantial increases in tire production in Britain and Germany along with rising car output. This indicated that Toronto had not maintained in 1956 its share of export markets; and monthly 1957 figures were substantially lower than 1956 "on account of the high premium of the Canadian dollar", according to the last report to management of the export correspondence officer.

George Browning had outlined to McCarthy the company's present export policy and methods. All export matters, including those tires exported from their factory in Toronto, were handled by the export company in Akron, Ohio. The normal method of shipment of such tires as were exported from their Toronto factory was from Toronto to New York, where they were combined with tires produced at Akron. Browning had pointed out that there were many sizes produced in their Canadian factory that were not produced at the factory in the United States, which was one advantage that the Canadian plant had over products exported by the United States concern. Goodstone of Canada had also been favoured annually with the Trade Liberalization Plan for the British West Indies, and Browning believed their distributors had always taken advantage of these allocations. On the other hand, they had a manufacturing affiliate in the United Kingdom, which, he emphasized, had a competitive advantage in Commonwealth and Empire countries, as against shipments from Canada, especially in those countries of the African continent, the Middle East and Asia, where ocean freight rates were a factor, as well as the ability to pay in sterling instead of Canadian dollars.

Directing the co-ordination of all this mighty effort, Browning had told McCarthy, international market research was done for the whole group of companies at Akron by the staff of the International Export Company. A three-day international conference of product and market planning was attended early each fall by top officials of the parent companies and subsidiaries. Unlike Hoover, which rotated the meeting to a different plant in a different country each year, Goodstone international planning meetings had always been held at Akron. Long-range planning of operations, expansion and development, allocation of exports, prices, sales, and international advertising were all discussed.

POSSIBLE PLANS FOR INCREASING EXPORTS FROM CANADA

Joe McCarthy began to wonder seriously whether President Browning had given him a problem that was impossible for him to solve. It seemed to him that the present company exporting policy which channelled all exports through Goodstone International Export Corporation made his position as Export Manager in Toronto an anomaly. Would he not be better placed in Akron always pushing and selling products of Goodstone of Canada to the Export Corporation?

Alternatively, should he request a modification of past company policy and obtain an allocation of markets in which Goodstone of Canada would have exclusive rights to export? American car manufacturers, for example, had allocated the British Commonwealth to their Canadian subsidiaries and most of the cars exported from Canada were equipped with Canadian-made tires. Why not continue to replace these Canadian-made tires with more tires "made in Canada"?

A third alternative, suggested by his experience at Coleman Lamp and by his knowledge of Canadian International Harvester and Massey-Harris-Ferguson, was a greater speculation in production by the various plants of the organization. If, for example, Goodstone of Canada was the only one of the group's six factories in North America to produce snow tires for cars and trucks, all the economies of long-run production would accrue. Canadian exports—and imports—would soar. However, tires, unlike harvesters and other agricultural implements, paid tariffs, and were given additional local protection by the high transportation costs and the disadvantage of paying to transport air, already mentioned. Such a revolution in production methods would require a more detailed study than his time and staff permitted, it seemed.

In May, 1957, McCarthy had attended the Second Annual Conference on Foreign Operations organized by the American Management Association and the International Management Association (1515 Broadway, New York) at which Harvey Williams, President of Philco International, said—

"An Export Manager located in an obscure office, assisted by a couple of clerks, a stenographer and a shipper, a third, fourth or fifth echelon executive wtih little or no contact with the president of his corporation and no participation in long-range planning with respect to product design, merchandising and sales strategy, company financial policies, etc. is as obsolete as the horse and buggy.

"Today's complex international factors have created a new type of executive responsible for his company's overseas operations.

"A modern Manager of Foreign Operations finds himself to be a market and financial analyst today, a negotiator of prospective manufacturing licenses tomorrow, a member of a foreign board of directors representing his company's minority stock interest, and a consultant, in the management engineering sense, to licensee and subsidiary company managements. He must be a financier, manufacturer, sales executive, personnel director, economist, negotiator and diplomat. More probably, he is a capable analyst, planner and administrator with proven ability to coordinate into an effective team specialists in all of the various functions of business.

"He finds himself responsible for the welfare of wholly-owned foreign subsidiaries for which he implements the full range of management functions. He must assist local operating management in arranging adequate finance, personnel development, management succession, provision and maintenance of economical production and, finally, personnel training and development including the bringing of local nationals to the home office and factories of the parent company for training and instruction.

"In relationship to overseas licensees, he exercises similar management functions, but usually in an advisory manner."

This has been his concept of his position as Export Manager at Goodstone of Canada after his first interview with President Browning, before he had accepted the job.

He had yet to get to first base. The problem remained, what should he do to increase exports from Goodstone Rubber of Canada and preserve his job as Export Manager? One thing only was certain; any plan he sold to his all-American directors would have to be justified in terms of the dollars and cents gained by the company.

PROCESSIONARY CATERPILLARS

Processionary caterpillars feed upon pine needles. They move through the trees in a long procession, one leading and the others following—each with his eyes half closed and his head snugly fitted against the rear extremity of his predecessor.

Jean-Henri Fabre, the great French naturalist, after patiently experimenting with a group of the caterpillars, finally enticed them to the rim of a large flower pot where he succeeded in getting the first one connected up with the last one, thus forming a complete circle, which started moving around in a procession which had neither beginning nor end.

The naturalist expected that after a while they would catch on to the joke, get tired of their useless march and start off in some new direction. But not so.—Through sheer force of habit, the living, creeping circle kept moving around the rim of the pot—around and around, keeping the same relentless pace for seven days and seven nights—and would doubtless have continued longer had it not been for sheer exhaustion and ultimate starvation.

Incidentally, an ample supply of food was close at hand and plainly visible, but it was outside the range of the circle so they continued along the unbeaten path.

They were following instinct — habit — custom — tradition — precedent — past experience — "standard practice" — or whatever you may choose to call it, but they were following blindly.

They mistook activity for accomplishment. They meant well—but they got no place.

—*James E. Gates, Dean,*
College of Business Administration,
University of Georgia.

DEVELOPMENT OF CANADIAN SCIENCE

"Satellites were recommended by the International Geophysical Year; they were to be valuable aids in the study of the earth. First launched by the Russians, however, they have become symbols of alarm and recrimination in the West. Fortunately, the sputniks have dispelled some illusions. An old truth, now clear to everyone, is that science transcends national frontiers. Perhaps also, there is wider appreciation of the need for quality in scientific training, whether quantity is attained or not.

"There is no question that on the whole Western science is still ahead of Russian. What has been shown by recent events is twofold: first, that Russia can compete on equal terms in science, and second, that by pushing a technological development she can get ahead of us if we don't watch our step.

"Before, or after the launching of satellites, the most immediate basic need for science in Canada is to provide greatly increased aid to universities. These institutions have for years been over-burdened by increasing enrolment and rising costs. They are now facing a steep new wave of candidates for admission, resulting from the marriages of the early nineteen-forties. To train sufficient numbers of these for our future industries, to maintain quality of instruction, and to provide facilities for post-graduate work on a greatly expanded scale are national problems of first importance.

"As a people we give very much less support to our universities than do other countries with a high standard of living. The critical factor in the whole manpower situation is simply whether we choose to give the universities the support they need or not.

"Looking to the future, it is encouraging to remind ourselves of what has been achieved in recent years. Organized aid to Canadian universities for the training of scientists began toward the end of the First World War. At that time the National Research Council started a foundation program of scholarships for graduate students and grants to aid research in the sciences. In 1916, when the older countries of Europe had an established tradition in science, only two universities in Canada were conferring doctorate degrees in science; and during the eleven years before the First War only three of these degrees were conferred. Now, in 1958, there are 2,380 students taking postdoctorate science in Canada (this includes medicine and engineering). Today 13 of our universities are granting these doctorate degrees in about 22 divisions of science. This year, two of our largest universities have, between them, more than 1,000 students in post-graduate science, medicine and engineering. Nearly half of these will receive their doctorate degrees this year. During the past five years alone, registration in graduate science courses has more than doubled.

"Along with this growth of science in our universities, governmental and industrial research has developed both in volume and quality. Canadian federal government expenditures in science, for example, increased from .1 per cent of the Gross National Product in 1938 to more than .5 per cent in 1956. Research by Canadian industries has increased over the same period from less than $5 million a year to an estimated $80 million in 1956.

"The quality of Canadian research is high; in many fields our contributions to the world exchange of scientific information is considerable; we have many scientists who are among the best authorities in their fields. Evidence of this is the number of international scientific congresses which have been held recently in Canada, for example in entomology, crystallography, physiology, geodesy and geophysics. Other world assemblies in botany, genetics, physics, chemistry, and microbiology are to meet here within the next two or three years.

"What we need to do is to consider whether we really are interested in doing everything we can to develop Canadian science. If we are, we will have to see that we no longer lag in the provision of support for science in universities and elsewhere. The Development of Canadian science has been striking in the last twenty years, in spite of relatively poor facilities. With reasonable support there is no reason why the future should look dark, but we will have to pay for it."

—Dr. E. M. R. Steacie, President of the National Research Council of Canada, in the Montreal Gazette's Annual Commercial Review, 11 Jan., 1958.

Canadian Taxation and the Businessman

K. W. LEMON, F.C.A.

Canadian businessmen, who for years have been plagued by a growing divergence between taxation procedure and sound business practice and accepted accounting principles, will greet with enthusiasm recent decisions of The Income Tax Appeal Board which appear to reverse, at least temporarily, the previous trend.

In recent years a cause of major concern to the Canadian business community has been the increasing number of business expenses which have been disallowed for tax purposes under the section of The Income Tax Act which prohibits the deduction of any expenditure unless it is:

(a) Laid out for the purpose of earning taxable income

(b) Not made in respect of a capital outlay or loss.

In the past this section has been subject only to a narrow and rigid interpretation based on legal precedents which have been established over many past years and which have but little application to modern business conditions. Further, it has been generally considered that an expenditure was allowable for tax purposes only if it passed both of the tests set out above. The resulting disallowance of many expenditures which are entirely proper and necessary in the operation of a present day business has been most unfortunate. It has added to the problems of the business executive by placing him in the position where he must consider proposed expenditures not only from the normal economic and business standpoints but also as to their deductibility from taxable income.

With this background, three recent judgements of the Income Tax Appeal Board will be most welcome as they set the stage for a more realistic interpretation of the disallowance sections. In each of the three cases the Board suggested that where expenditures pass the test of having been laid out to earn income they should not be excluded as deductions merely because it might be argued that they were capital in nature as well.

In one of these cases the cost of replacing refrigerators, stoves and venetian blinds in an apartment block was allowed as an expense although it was conceded to be a capital outlay. In a second case the Board allowed the travelling expenses of a taxpayer to Europe for the purpose of acquiring a new agency. In this case the taxation authorities had taken the position that the expenses were not laid out for the purpose of earning income or, alternatively, that they were in connection with the acquisition of a capital asset (the agency). In holding that the expenditure was made for the purpose of earning income from the agency which the taxpayer hoped to obtain, the presiding member of the Board made the refreshing observation that, except in rare instances, taxpayers do not throw their money around and that they should be the best judges of what expenditures are beneficial to the earning of income.

These decisions may still be subject to further tests in higher courts and Canadian businessmen will watch with interest the final disposition of the cases in question. In any event it is to be hoped that the recent action of The Income Tax Appeal Board heralds a more realistic approach to the allowance for tax purposes of proper business expenses — an approach which if necessary could be reinforced by appropriate legislative action.

Canadian Law and the Businessman

JOHN P. ROBARTS, Q.C., M.L.A.

THERE is a strong tide of public opinion in Ontario today asking for the institution of some type or form of compulsory insurance to cover the motor-driving public. Those persons who carry full coverage of insurance on their own motor vehicles often feel that lack of insurance coverage by others is evidence of irresponsibility. Yet as long as Ontario has an Unsatisfied Judgment Fund there is a fund of last resort to provide a remedy for an innocent person who has suffered damages in an accident caused by a person without means or financial responsibility.

The Ontario Department of Transport has given considerable study to compulsory insurance in other places. This study leads to the discovery of certain misconceptions generally held about compulsory insurance:

1. Compulsory insurance will not necessarily serve to satisfy any civil judgment. The limits on compulsory insurance are, generally speaking, $10,000.00 per individual, $20,000.00 personal damage total for any one accident, and from $2,000.00 to $5,000.00 property damage. As any scrutiny of the judgments which are not uncommon these days will reveal, these limits, while necessary to keep costs to practical figures, will not provide the complete panacea envisaged by many.
2. Compulsory insurance covers injury only to third parties; it does not cover personal injury to the owner or driver of the vehicle, or to any but paying passengers. Property damage also protects only third parties, and not the owner or driver.
3. Personal injury or property damage insurance is based on indemnification of the insured, and there is no obligation on any Insurance Company to pay anything unless liability to pay, and thus liability for the accident, is established against the insured. It has been found that this is the most misunderstood, even though the most fundamental, principle of insurance. Many people believe that compulsory insurance will mean automatic payment of loss or damage, which of course, is simply not true.
4. Situations can arise in which compulsory insurance provides no protection whatsoever. As examples, there are cars from other jurisdictions which are not insured; there are farm vehicles using our highways which are not insured or even licensed; there are stolen cars; and there are cars which are insured when licensed but on which the insurance has been allowed to lapse.

Many of the above circumstances where compulsory insurance would fail to provide protection are covered in Ontario by our Unsatisfied Judgment Fund.

THE COMPULSORY POLICY

Let us look for a moment at the other face of the picture, namely, the protection given the insured by his compulsory policy. Once again, the question of limits arises, and unless he is prepared to go beyond the compulsory minimum he may find himself in the difficulties which at the moment attend the uninsured driver against whom a large judgment is obtained. Such an individual cannot own a home, a car or other property of value. He may be required to pay a proportion of his monthly earnings for an indefinite number of years and he may very well lose his right to drive for a long time. All these results are disastrous, and it may be that the unwitting or ignorant individual is entitled to be protected by the group to whom the automobile with its attendant good and evil has become so firmly attached.

No form of compulsory protection will be fully effective without driver control. This programme is being pushed by the Department of Transport by enlarging driver examination before licensing and by conducting research studies designed to reveal to the licensing authorities the accident-prone driver.

Driver examination has been extended to include visual acuity, depth perception, ability to read and understand signs, as well as the normal ability to physically handle a motor vehicle. This programme serves not only to reveal the inadequate driver who must not be licensed, but serves also to implant in the mind of every licensed driver the importance of knowing and understanding the laws, and the concept of driving as a privilege and not a natural right.

The institution of the point system, whereby a driver loses points for driving infractions, and may eventually lose his license because of these infractions, is the result of research designed to remove from the roads the accident-prone driver, or to teach him to mend his ways and bring him back to the ranks of the careful drivers.

Preparing for a lifetime of progress

He has the urge to be where "big things" are happening . . . so he is studying engineering.

Wherever you go in Canada today you can see the work of the professional engineer whose vision, initiative and orderly thinking are vital to progress in this swift-moving technological age.

When you flip a switch at home an amazingly intricate system of power equipment goes to work for you. Electricity cannot be made and stored—it is made and delivered instantly at the speed of light. In effect, you reach back from your switch through wires, meters, transformers, substations, switchgear, generators, turbines—right to the very source of power. This incredible process . . . safe, reliable and low-priced . . . has been made possible through the skills of professional engineers.

Less than 20 years ago only about one in 700 workers was a graduate engineer . . . today there is 1 to every 150 workers. At Canadian General Electric we employ nearly 1,000 engineers—approximately one to every 20 employees—and more are constantly needed to keep pace with the increasing demand for equipment to generate and transmit electric power and the many products which put it to work.

For over 50 years this Company has conducted a training programme for engineering graduates. In our plants, they acquire an intimate knowledge of the theoretical and practical principles of manufacture, design and installation. Known as the "Test Course" it has provided important postgraduate training for many of today's professional engineers in various fields of Canadian industry.

The future holds many engineering opportunities in Canada, where people are so electrically minded that the demand for power *doubles every 10 years!* Right now engineers are busy on products, projects and in industries that didn't even exist a few years ago, when many electrical developments, such as television, were practically unknown.

Canada's first atomic electric power plant presents one of the greatest engineering challenges of our time. It is being built by Canadian General Electric for Atomic Energy of Canada Limited and Ontario Hydro. This is just one of many great projects that exemplify the major role being played by professional engineers . . . key men in our nation's progress.

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CANADIAN GENERAL ELECTRIC COMPANY

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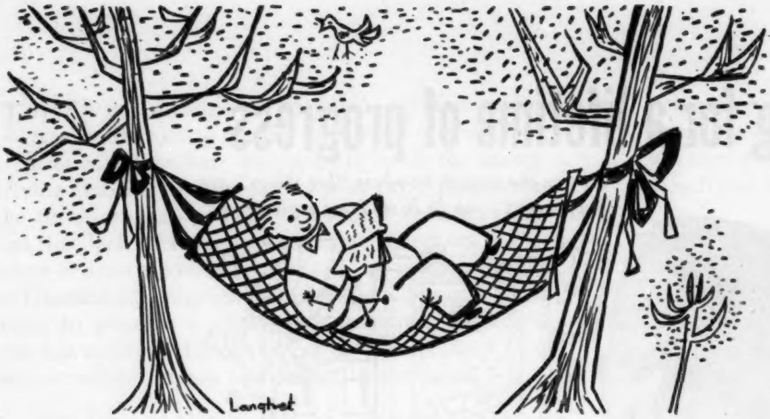

BOOKS FOR THE BUSINESSMAN

BRITISH COLUMBIA: A CENTENNIAL ANTHOLOGY

Reginald Eyre Watters, editor-in-chief. McClelland and Stewart, 1958. 576 pp., illustrated. $5.00.

This handsome anthology will be one of the Canadian books of the year. A recent announcement by the publishers indicates that the first printing of twenty thousand copies has been sold in the first two months. Great popular interest in British Columbia's celebration of its hundredth birthday is reflected in the reception given to this book edited by a committee under R. E. Watters of the University of British Columbia and devoted to the work of the province's writers, artists and photographers.

The majestic land of mountains by the vast Pacific deserves the superlatives which promotion literature often lavishes on lesser regions. The *Centennial Anthology* is, therefore, happily different, a model of under-statement, of low pressure advertising which will be most effective in luring visitors to the West Coast. The book is entirely in good taste, and the literary quality is unusually high.

The first section, entitled "Days of Our Years", presents British Columbia's history in a delightful confusion, opening with an item dated January 1, 1786, and following up immediately with January 1, 1901. The game is well begun, and the reader who has missed the introductory page of "Chronology", which goes back to the Spanish claims of 1774 and to Captain Cook in 1778, can keep on wondering why the title refers to a centennial. The answer is half-way down that page: Queen Victoria proclaimed the Colony in 1858. The rest of the book treats history as an anthology ought to do, by abandoning formalities and printing a multitude of vignettes to show how people have lived, worked and thought for at least a hundred years, under the special conditions imposed by the terrain, the climate, and the natural resources.

There is something rather subtle about the unobtrusive editing and the exclusion of sweeping generalities; here there are sketches of common facts, sentiments, and activities arranged, in the manner of modern artists, to yield meaning chiefly by juxtaposition and cumulative effect. This kind of editing can be detected in the placing of the two hundred excellent illustrations under the general supervision of Robert R. Reid, as well as in the host of short stories, sketches and poems interspersed with extracts like this gem from a British journal called *Truth*, which declared in 1881 that British Columbia was "a barren, cold, mountain country that is not worth keeping", and that it was "going from bad to worse" ever since the gold fever had died down. No comment is forthcoming; the sheer abundance of the book serves as a corrective.

Many other signs of cultural maturity are to be found in this volume. Among the contributors are a dozen or two British Columbians who rank with Canada's best-known authors, including Earle Birney, Roderick Haig-Brown, Bruce Hutchison, Dorothy Livesay, Ethel Wilson, and the late Emily Carr and Malcolm Lowry. The selections have a pleasing naturalness because they were written at will, not self-consciously for this occasion.

The photographs alone would make an attractive book, presenting twenty-five seascapes, thirty landscapes, colour drawings of native birds, candid shots of the kinds of people it takes "to make a province", minerals, fruits and flowers in colour, pictorial patterns found in life, and a gallery of paintings, sculpture, drawings, wood-cuts and wood-engravings. It is an impressive display of variety, ingenuity and artistic achievement.

In one respect the pictuers surpass the literary sketches for the authors of the West Coast, like those across the rest of Canada, offer editors of anthologies litle creative writing about business, industry and trades in which men and women do their daily work. Some of the photographs included here may have been made to order because of this natural deficiency in the word-pictures; certainly they serve admirably to round out the reader's view of life in British Columbia. The *Centennial Anthology* is not only timely; it has permanent value.

Carl F. Klinck, Professor,
University of Western Ontario

MARKETING IN CANADA

Edited by Edward J. Fox and David S. R. Leighton. Richard D. Irwin, Inc., Homewood, Ill. General Publishing Co. Ltd., Toronto. 437 pp. $8.50.

"Marketing in Canada" should provide interesting reading and an excellent marketing reference for at least three groups of people. First, the outsider considering Canada as a market for his goods and services will find it valuable in getting a "feel" for the Canadian market situation. Secondly, Canadian marketing executives should find it interesting because, for the first time, articles on "virtually every aspect of marketing in this country" have been gathered together into one volume. Finally, it should provide a useful teaching and reference guide for universities.

Its publication in March 1958 was sponsored by the Toronto, Montreal and Vancouver chapters of the American Marketing Association, who recognized the need for a comprehensive coverage, in book form, of Canadian marketing. The resulting book is a collection of 34 articles divided into seven parts and an appendix. The editors are Dr. Edward J. Fox, chairman of the Department of Marketing at the University of Miami, Florida, and Dr. David S. R. Leighton, Associate Professor of Business Administration at the University of Western Ontario. The 40 authors can be divided into the following occupational groups:

University	14
Industrial	10
Governments	6
Research Organizations	4
Associations	3
Publishing companies	2
Banks	1
	40

In Part I, "The Canadian market in Perspective", the authors show the individuality of the Canadian market even though many of the techniques involved in Canadian marketing are patterned after those of the United States. The concentration of population in southern Canada, the French influence, and the "intangibles which give a nation not only its essential character but its vitality as well" are a few reasons why the wise businessman is advised to treat Canada as a separate and unique market. Part I concludes with the economic growth and the future of Canada. Probably the most useful materials contained in this section are the statistical facts and projections so invaluable to marketing men considering Canada as a future outlet for their goods and services. The most impressive conclusion that emerges is that the Canadian market is expanding extremely rapidly and offers attractive development possibilities for any enterprising businessman.

Practically every aspect of regional markets, from the effects of the annual precipitation on Goose Bay, Labrador, to the influence of the Rocky Mountains on the buying habits of B.C. farmers, is included in the next section. Possibly more than anywhere else in the book, individual differences in style and content make the comparison of facts and figures most difficult. However the appendix listing sources of Canadian marketing information provides access to any additional facts needed.

Analysing the functions of the wholesaler and retailer in Canadian marketing, one author states in Part III: "An authoritative estimate in recent years indicates that Eaton's, Simpson's, and Hudson's Bay Company do about 83% of the total department store business in Canada."

Parts IV and V deal with advertising agencies and media, validating agencies, market research,

banks, finance companies, government services and regulations, trade marks, taxes and import restrictions. Billings of Canadian advertising agencies are shown to be growing rapidly whereas profits are growing slowly and "declining seriously as a percent of total billings". Research costs per advertising dollar are higher in Canada and the author states: "Intuition and tradition frequently take precedence over cold, hard market facts as a basis for Canadian decision-making."

It is interesting to note that "38% of Canadian tax revenue in 1956-57 came from indirect taxes on imports, liquor and tobacco and other sales and miscellaneous items". The latter part of this section dealing with the significance of foreign trade to Canadian marketing has been somewhat underrated by the editors as only five pages are given to this important subject.

The sixth and last non-case section covers sales forecasting and managing marketing personnel. One author's comments are particularly interesting: "Sufficient information is available about Canadian markets for almost every product and service for manufacturers to make usefully reliable market forecasts with simple techniques."

Another author finds that "Canadian companies do not seem to take the same keen interest in setting up sales territories scientifically as they do in selection, training and compensation."

Part VII gives, in the form of case histories, the practical experience of five companies involved in Canadian marketing. Although no specific answers are provided, the potential marketer is shown some of the difficulties he might encounter.

To many, the appendix, showing how and where to find federal, provincial, banking, association and industrial marketing information, alone would make the book a worthwhile investment.

Some readers will criticize the book's lack of continuity because of the different styles of the 40 contributors, the inconsistency of information and the misused space of some who write too much and others who write too little. Yet this, according to the editors, "is as it should be", and has the distinct advantage of presenting in a relatively few pages the ideas and opinions of many authors with a wide variety of experience.

The editors mention that one of their biggest jobs has been to maintain "a fruitful working relationship with the authors. "They are to be congratulated for successfully accomplishing this task and producing a book which will be of great benefit to a wide variety of readers.

J. G. Myers,
Instructor, School of Business
Administration, U.W.O.

A HISTORY OF THE ENGLISH SPEAKING PEOPLES.

VOL. IV: THE GREAT DEMOCRACIES

by Winston Churchill. McClelland and Stewart, Ltd. 1958. 403 pp. $6.50.

This volume, covering the years from 1815 to 1900, completes what is almost certainly Churchill's final achievement, but with Churchill you can never be sure. Those who have read any of the earlier volumes will know what to expect in this one. Churchill concentrates on the great political and military events and personalities, while religion, literature and economics get only passing mention. You will not learn from this book that in the nineteenth centry Britain enjoyed an age of great literature, especially in lyric poetry and the novel. Keats, Arnold, and Tennyson are not in the index. Nor are you likely to get the impression that in this same period Britain led the world in industry, and British capital financed the trade and industry of much of the globe.

But in spite of these serious omissions this volume comes closer to justifying the general title of the series than any of the earlier volumes. Approximately half the book is devoted to events outside the British Isles. There are compact, but adequate descriptions of the development of the English-speaking dominions and India, although Canadians may be surprised to find themselves bracketed with South Africa in a single chapter.

The striking feature of this book is the attention paid to the United States. But Churchill's attention, or wha is for him much the same thing, his imagination, has been especially caught by certain things, in particular the American Civil War. About one-fourth of the book is given to this subject, which, in the framework of the volume, throws the structure wildly out of balance. There seems to be no rational justification for this, but on the whole we can be thankful that the author has let his feelings run away with him.

The Civil War notoriously fascinates Americans, and it obviously fascinates Churchill, who is after all half an American, too. His own experience as a war leader and his ability as a military historian have been fortified by personal knowledge gained from tramping over Civil War battlefields. As a result we are given a military history that is Churchill's best, and that is very good indeed. Some will want to dispute his judgment in some of the details. Not all will agree that the Mississippi Valley was a secondary, although indispensable, theater of war, nor will all accept his conclusion that after Gettysburg and Vicksburg the South knew they were beaten. But few will dispute the high praise that Churchill gives to Stonewall Jackson and Robert E. Lee. The Civil War section stands out as one of the great passages of the entire four volumes.

Scarcely less impressive is the story of the great political duel between Disraeli and Gladstone, a bloodless duel to be sure, but not without passion. Born in the lifetime of these two men into a family near the center of British politics, Churchill knows this story from the inside as few now living do. Those who think of Churchill as the great imperialist may be surprised to find that in the end he awards the palm to Gladstone. "His career had been the most noteworthy of the century, leaving behind innumerable marks on the pages of history. He was the greatest popular leader of his age, and he has hardly been equalled in his power to move people on great moral issues."

From this review, and the reviews of earlier volumes as they appeared, it should be clear that this work is a very special sort of history, if it is history at all. It is the interpretation of the experience of the Island People and their overseas descendants by one who has himself played a leading role in that drama. The work deserves, therefore, to be read as much for the light it throws on Sir Winston Churchill as for the story of our ancestors. No such work by a British prime minister has been written before, and it is altogether likely that none will be again.

But this history is not only a remembrance of things past, it is a political testament giving the author's advice to his successors. We close, therefore, with the words with which Churchill ends the completed work.

"Here is set forth the long story of the English-speaking peoples. They are now to become Allies in terrible but victorious wars. And that is not the end. Another phase looms before us, in which alliance will once more be tested and in which its formidable virtues may be once more to preserve Peace and Freedom. The future is unknowable, but the past should give us hope. Nor should we seek to define precisely the exact terms of ultimate union."

Walter Balderston,
Associate Professor of History, U.W.O.

CANADIAN RESOURCES, PART I

Stanford Research Institute, California, U.S., 1958. $10.00.

This is the latest volume of the Western Resources Handbook, compiled by Stanford Research Institute, a public service corporation established to provide confidential fact-finding research under contract for private industry and government. Anyone requiring basic data on the economy of Canada's West (this Part I deals only with Alberta, B.C., Manitoba and Saskatchewan), interested in population and market trends, climate, employment, agriculture, manufacturing or transport, will find this loose-leaf compilation an invaluable source. All known governmental and private data have been studied and every source is explicitly identified to facilitate additional research.

Supporting the statistical tables, maps and diagrams graphically identify by provinces the growing seasons, population growth in relation to the Canadian average, crop areas, major industries, power installations, gas and oil pipelines and transport facilities. From these it is easy to see at a glance the growing importance of manufacturing and service industries in each province, which provinces and towns are expanding the most rapidly and where plant location, industrial development and market expansion are most economic.

A. Gordon Huson, Editor.

THE CASE FOR PRODUCER MARKETING BOARDS

"The Case for Producer Marketing Boards" in the Spring number of your publication, while stressing the democratic British background of the scheme, fails to make a convincing case for the compulsory feature. Whatever the necessity may have been for protection against the alleged Packer Trust, one thing must be admitted, and that is that no packer was under government compulsion to join. It was a voluntary affair and any packer could rebel if he wanted to; in that respect, the farmers' combine differs from the packers'. This maverick tendency on the part of business is responsible for the decline of the "Fair Trade" philosophy, whereby manufacturers attempted to set a selling price for their product.

It is doubtful that J. K. Galbraith is so universally respected that his Concept of Countervailing Power would be acceptable to everybody as justification for compulsory combining against packer power. The packers constantly maintain that their profit on a pound of meat is so minute that its elimination would scarcely be noticed. This may be an old refrain, but I've never seen any rebuttal from the farmers, so I must take it as a valid claim that consumers aren't being gouged by packer profiteering, whatever might happen to the producers.

Mr. McInnis is quite right when he says we shouldn't tell farmers to be rugged individualists. Farmers can be any kind of people they want to be, including Socialists. (What they appear to be turning into are wards of the State.) The irony of it all is that Mr. McInnis and his friends can't stand the farmers who themselves are trying to be rugged individualists! The ones who like freedom are the ones who are upsetting his plans, and freedom is therefore intolerable.

F. H. Howard,
London Chamber of
Commerce, Ont.

"AND THERE WAS LIGHT"

by Rudolph Thiel, translated from the German by Richard and Clara Winston. Alfred A. Knopf Inc., 1957, New York. 405 pp.

The advent of Sputnik, the suggestion that rockets may soon be reaching the moon have raised a host of questions concerning the legal, political and even property rights in a realm that the astronomer once considered his private domain. The International Geophysical Year has publicized the importance of the sun and phenomena happening on it for the development of our weather, aurorae, magnetic storms and other effects that are of direct significance for us.

Here the author adopts the historical approach to lead from main's earliest ideas of the universe to our present understanding of it. Despite the current interest in astronomical maters, the attention given to astronomy today is small compared with the influence it has had in the development of the world and with the significance that astronomy had in the past. The earliest civilizations had religion, astronomy and astrology intermingled in the attempt to explain the world as they saw it and to announce the coming of the seasons and other phenomena of importance in an agricultural society.

The Greek theories of the motions of the planets, as expressed by Ptolemy held sway in the western world throughout the middle ages down to the time of Copernicus. The theory of Copernicus, that the sun is at the center of the solar system and the earth one of the planets was a starting place for modern astronomy and modern science. Following Copernicus were Tycho Brahe, Kepler, Galileo and finally Newton. The law of gravitation was used to explain the tides, the motions of the planets, comets and other objects in the solar system. These great astronomers are well presented as individuals with personal lives living in interesting times and as scientists working on a fascinating problem.

The modern problems of astronomy are summarized in the last few chapters of the book. Their understanding and appreciation are greatly enhanced by the knowledge of the history of astronomy and science in the earlier chapters. The techniques of present-day astronomy, the conclusions to be drawn from them, the means of determining temperatures, distances, diameters and other properties of stars are discussed. An excellent selection of photographs shows the galaxies, nebulae and other objects of interest to the astronomer and the means used to study these objects. The existence of many unsolved problems is indicated.

Some of the recent developments astronomy are lacking—the present ideas of the continuous creation of matter and the steady state theory of the universe with no beginning or end contrasted with a universe of finite age; the theories of Von Weizsacker and Kuiper which indicate that the formation of the solar system with its planets was probably duplicated for many of the stars should find a place in a modern discussion of astronomy. The evolution of stars, from the time they are born of interstellar matter to the time when they become small faint White Dwarfs, which is one of the main problems for the astronomer today, is not discussed. The substitution of "blinker stars" for the accepted term "Cepheid Variable" and similar introductions of non-scientific jargon are unfortunate. Although the reader may occasionally find standard terminology difficult to identify with the terms substituted here, the book is extremely readable. Despite a few

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lapses the author has presented, with clear drawings and a fine selection of photographs, an excellent picture of the universe and how we have come to know it as it is.

W. Wehlau,
Graduate Fellow in Astronomy,
University of Western Ontario.

"THE 'HOW' OF SUCCESSFUL SALES MANAGEMENT"

by Merrill De Voe, 1957, Prentice Hall, Inc., Englwood Cliffs, N.J. 314 pp., $5.65.

With the stiffening of sales competition evident in the past year, this work is timely. Unfortunately it is a "how to" book with all the limitations that term implies.

Writing in a snappy style, Mr. De Voe has covered the sales management waterfront quite completely at the expense of depth in any area. Recognizing this, the book would be a valuable check-list or idea starter for established sales executives.

C. B. Johnson, Lecturer,
School of Business
Administration, U.W.O.

MINING DEVELOPMENTS IN ASIA AND THE FAR EAST, 1956

U. N. Economic Commission for Asia and the Far East. Ryerson Press, Toronto, 1958. 63 pp. $0.70.

This is the eighth of the mineral resources development series, of which the first was published in 1951. The first part summarizes the Asian stories of individual minerals, coal, petroleum, natural gas, iron ore, manganese, chrome, tunsten, nickel, tin, copper, lead, zinc, antimony, mercury, aluminum, titanium, magnesium, gold, graphite, salt, sulphur, limestone and cement.

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The second part gives summaries country by country through Afghanistan and Borneo to Thailand and Vietnam.

Canadians anxious to know whether our own mineral resources are keeping pace would be wise to study these potential competitors.

UNITED NATIONS STATISTICAL YEARBOOK

Vol. I and II. Ryerson Press, Toronto, 1958. 629 and 155 pp. $7.00 and $1.50.

This ninth issue of the UN Statistical Yearbook was prepared by the Statistical Office of the United Nations with the active cooperation of the statistical authorities of more than 150 countries and territories and with the assistance of the United Nations specialized agencies and other intergovernmental bodies. These biligual volumes present authoritative international statistics on demographic, economic, financial, social and cultural subjects and generally cover a 20-year period ending 1956 or mid-1957. The territorial scope of the Statistical Yearbook is reflected in the alphabetical country index which lists nearly 250 geographical areas.

In 1956, world economic activity was greater than in any previous post-war year and vastly greater than in the years immediately preceding World War II. In 1956, the world's factories and mines produced about 2¼ times as much as in the last prewar year 1938, the world's railways hauled nearly 2½ times as much freight; the world's ships carried almost twice as much cargo; the world's commercial airlines flew more than eight times as many miles (kilometers); on the world's roads there were nearly 2½ times as many motor vehicles and the volume of world exports was 80% greater; and in mid-1956 the entire world had 20 per cent more people than in 1940.

During the period 1954-56, a sum equivalent to approximately 5,510 million dollars was distributed as grants or loans by national governments and international agencies to assist the economic development of underdeveloped areas of the world. Aid channeled through international agencies amounted to 550 million dollars, about equally divided between grants and loans. Of that sum, about 270 million dollars was contributed for the reconstruction of the Republic of Korea and for relief of Palestine refugees.

LONGER LIFE

George Soule. Macmillan Company of Canada, 1958. 151 pp. $3.50.

Longer working life here has the impassioned pleading of the retired editor of New Republic. Many may disagree with the Western world's treatment of the elderly—"You are no longer needed, either by society or by your family. You must expect, sooner than most people, dependency, illness, incapacity, and death. You are becoming a burden. We want to be kind and considerate of you and, because of your pitiable condition, will contribute to your support as much as we can afford—but it is unreasonable for you to expect to be able to maintain anything comparable to your old standard of activity and life, unless you have large independent means. You no longer are individuals within society as a whole, but a problem. In this age of joiners, conformity and "organisation man," this deliberate segregation of the aged most frequently brings on an early death. How different is the Chinese reverencing of the aged, how much happier is the "Design for Living" described years ago by Lin Yutang.

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Books for Businessmen — cont.

What should be done? In U.S., 29% of old-age pensioners who in 1940 were supposed to be too old to work were back on jobs during the war years. What is the purpose of all this medical research and expense to prolong life if the additional years so expensively won are only wasted in enforced and unwanted idleness? In U. S. S. R., where research into prolonging life has possibly advanced furthest, there is no such enforced retirement. In U.S.A. the old age pension scheme devised and introduced in the depression years deliberately removes the aged from work as a condition for receiving its miserably inadequate dollars—less on the average than those paid unconditionally in Canada at age 70.

Although the "problem of old age" has not yet hit Canada and U.S.A. as forcibly as Western Europe, which has long generously educated and poured its youth across the Atlantic to increase productivity and reduce the average age in North America, geriatrics will shortly become as important if not more important than pediatrics. The aged idle may well soon become more numerous than the idle youth. Not only is the average age rising rapidly; the growth of automation is producing further pressures towards less work and the need for better methods of rationing it and hence of pushing the "aged" out earlier. If a relaxation of international tension should make possible a reduction in the one-tenth of the gross national product at present dedicated to defense, the problem would be made even more acute. Only between 6% and 7% retire because they want "more time to myself"; by far the majority retire only because they are forced to.

This is a tirade rather than a treatise, only mentioning the employers' view as an Aunt Sally to be

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knocked down without opposition. The young man's viewpoint of old-age hanging onto jobs far longer than is justified on the basis of company efficiency is not even mentioned. None the less George Soule provokes thought on a subject on which the Western world has, and should have a bad conscience, whose outcry against the segregation of the aged (just as the East segregates women and lepers) we attempt to quieten by paltry pensions, which Soule points out are far from adequate in the U.S.

A. Gordon Huson, Editor.

Books Received

MATHEMATICS IN BUSINESS—*Lloyd Lowenstein*—John Wiley & Sons Inc., New York. 1958. 364 pp., $4.95.

INTERNATIONAL TRADE — *Wendell C. Gordon*—McClelland & Stewart, Toronto, 1958. 647 pp., $6.75.

ACCELERATED AMORTIZATION — *David A. Thomas* — Bureau of Business Research, School of Business Adminitration, University of Michigan. 1958. 104 pp.

BE MY GUEST — *Conrad Hilton*—Prentice-Hall, New York, 1958. 372 pp., $4.95.

INTERNATIONAL FINANCE — *Charles H. Henning* — Harper & Bros., Inc., New York, 1958. 481 pp., $10.00.

THE MASS COMMUNICATORS—*Charles S. Steinberg*—Harper and Bros., New York, 1958. 470 pp., $4.50.

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